

FINANCIAL TIMES



World Business Newsp

Swedish perks Company cars under threat

South Africa

Currency markets rule Australian airports Poised for privatisation



Today's surveys

Arizona Automotive components

surprised

as Japan's

trade gap

falls 65.5%

Japan'a trade surplus fell by nearly two-thirds in April to the lowest monthly level in 13 years,

a far sharper decline than expected and evidence of the impact of

Japanese companies shifting pro-duction abroad.

The trade gap shrank 65.5 per cent to Y320.66bn (\$3.05bn) in the

year to last month, the 17th con-

secutive month of decline,

according to customs-cleared fig-ures published by the finance

Private sector forecasters had

predicted an April surplus of

between Y480bn and just over

Y600bn, Several economists said

they would cut forecasts for this

year's trade surplus, already

expected to show a sharp decline

on last year, by between 5 and 10

The dollar strengthened

slightly in response to the fig-ures, from just below to slightly

above Y107, a one-month high.

However, the yen's recent weak-ness is expected to improve Japa-

nese export competitiveness and

eventually constrain the fall in

the surplus.

The latest figures mean that
Japan's import growth has
exceeded export growth for
nearly three years, But, in spite

of the yen's weakness, finance

ministry yesterday.

By William Dawkins in Tokyo

Sinn Féin fuels hopes of resumed ceasefire by IRA

Expectations of a new ceasefire by the Irish Republican Army were



raised last night after Gerry Adams (left), president of the IRA's politi-cal wing Sinn Fein, said he would accept the six principles of non-violence to be put to all par-ties at the start of talks next month. His comments came amid increasing optimism in

London and Dublin that the IRA might abandon its three-month campaign of violence to enable Sinn Fein to take part in negotiations. Page 9

OFECD cuts growth forecasts: The Organisation for Economic Co-operation and Development cut its forecasts of economic growth in the industrialised world this year and next because of the sharp slowdown in the German and French economies. Page 4

Cool response to EU expansion plan: Former communist countries in Europe have given a cool response to a German suggestion offering them partial membership of the European Union. They fear it could be a aubstitute for full membership of the EU and Nato. Page 16

Total ban on UK beef still in place: Efforts by European Union vets to agree a partial lifting of the export ban on British beef bung in the balance yesterday in the face of firmer than expected resistance from a number of member states to easing the embargo on some products. Page 16

BA heads airline profits table: British Airways announced annual pre-tax profits of £585m (\$890m), the highest of any airline in the world, but its pilots responded with plans to hold a strike ballot over a two-year pay offer. Page 17; Lex, Page 16

US to renew China's MFN status: US president Bill Clinton announced he would renew China's Most Favoured Nation trade status on the grounds that failure to do so would threaten the stability of the Asia-Pacific region and US economic interests. Page 16; Editorial Comment, Page 15

Norway strike hits big companies: A strike by 37,000 Norwegian mechanical engineering workers entered its second week with little sign of an end to a dispute which has crippled output at several top companies and is set to bit manufacturers in neighbouring Sweden. Page 2

Kohl in firm stand on strikes: German transport and postal services were hit by a further outbreak of strikes as public sector workers protesteu over government plans to freeze w cut spending. Chancellor Helmut Kohl said he would stand firm against the unions. Page 3

Rolls-Royce deal with China: Rolls-Royce and Aviation Industries of China plan to form a joint zero-engine company to manufacture components for Rolls-Royce jet engines. Investment in the new company would total \$30m. Page 8

Sumitomo Chemical, Japan's largest producer of fine chemicals and agrochemicals, said it substantially increased annual profits in a stagnant market as a result of cost-cutting. Consolidated recurring profits rose 66 per cent to Y29.6bn (\$278.16m) in the year to March. Page 17

Bosnian hardliners in tough stand: Hardliners consolidated their bold on tha Bosnian Serb leadership after brushing aside demands from the international community to depose their president Radovan Karadzic who is wanted on war crimes charges. Page 2

International Business Machines aims to become one of the first and largest producers of "network computers", a new type of low-cost device that can be used to surf the Internet or link to corporate networks. Page 17

Japan appeals to US over computer sale: Jananese government officials expressed concern at possible moves in the US to block the first Japanese contract to supply a supercomputer to a US government-affiliated organisation. Japan urged the US to exercise fairness and transparency in its government procurement practices. Page 8

British film wins top Cannes prize: The main prize at the Cannes film festival, the Palme d'Or, was awarded to the British tragi-comedy Secrets and Lies. directed by Mike Leigh and starring Briton's Brenda Blethyn who won the best actress prize. The best actor prize was shared by Daniel Auteuil of France and Pascal Duquenne of Belgium for their roles in The Eighth Day.

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STOCK MARKET INDICES | # GOLD

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First sales since Gulf war to provide food and medicine for civilians | Analysts

TUESDAY MAY 21 1996

UN agrees to permit Iraq \$2bn in oil exports

By Michael Littlejohns In New York and David Lascelles in London

Iraq and the United Nations yesterday signed an agreement permitting the sale of \$2bn worth of Iraqi oil, the first to be exported since sanctions were imposed after the Gulf war six

years ago. The deal has unsettled oil markets, where there is concern that Iraq'a return will lead to a longerterm increase in international supply. The money from the sales over six months is intended to

pay for food and medicines for the country's civilian population. The agreement is valid for as long as Mr Bontros Boutros Ghali, the UN secretary-general, is able to certify every 90 days that Baghdad has complied with the terms of the Security Council resolution authorising oil sales under strict UN monitoring The news led to a fall in the oil

price and in oil company shares yesterday, but the market had been expecting the deal for several days and this helped cushion In London, the price of Brent Oil traders weigh impact of Iraqi sales .Page 5 Commodities .. .Page 26

crude for July delivery fell after news of the agreement, but later rose 72 cents to \$18.35. The oil price had already dropped from \$19 when the deal was first mooted last week.

Yesterday's fall was also limited by a statement from Mr Rilwanu Lukman, the secretarygeneral of Opec, that the oil cartel "would do something" at its forthcoming ministerial meeting in June to accommodate Iraq's In Washington, Mr Mike

McCurry, the White House spokesman, said the deal was an "important victory" for UN efforts to persuade Baghdad to meet Iragis' humanitarian needs and that it demonstrated the need for the UN to stand firm against any relaxation of its reso-Intions,

Britain also welcomed the agreement but warned that sanctions will remain in place until traq compiles with UN resolu-



Iran's chief negotiator Abdul Amir al-Anbari is besieged by reporters as he arrives at the UN

tions, something which is "hard to imagine" while "Saddam

remains in power".

Mr Abdul Amir al-Anbari,
Iraq's negotiator in talks with the UN that began in February, said oil exports could begin in a month but UN officials believed it might take longer.

At current prices, Iraq will be allowed to sell about 700,000 barrels a day to make up the \$2hn. Before its 1990 invasion of Kuwait, Iraq was exporting 2.78m barrels a day, with the US as its biggest customer.

The memorandum includes a

distribution plan under which Baghdad undertakes to guarantee equitable distribution of food and medicines to a population "throughout the country". An annex to the document provides special arrangements to meet the needs of a Kurdish minority in three northern provinces that are

dam Hussein. UN agencies will "collect and analyse pertinent information" on humanitarian needs for discussion with the government and inclusion in the distribution plan. UN officers will monitor distribu-

bitterly hostile to President Sad-

tions and report any violation to its department of humanitarian

affairs.
Food and medicines for the Kurds and the question of setting up an account to receive proceeds from oil sales had been obstacles to the agreement.
Iraqi oil will be exported via

the Kirkuk-Yumurtalik pipeline through Turkey and from Iraq's Mina Al-Bakr oil terminal. Transport costs in Turkey will be met hy an additional allocation which was foreseen in the Security Council resolution, adopted more than a year ago.

ministry officials predicted that the decline in the surplus would continue - and several indepen-dent economists agreed. "What the Japanese authorities have been telling us in recent

per cent.

months about the changes in the economy have, in fact, been playing out nicely," said Mr Rus-sell Jones, economist at Lehman Brothers in Tokyo. Mr Ron Bevacqua, economist at Merrill Lynch's Tokyo office, said the fall in the surplus showed Japanese companies had, surpris-

ingly, shifted as much production overseas as promised. According to the latest survey from the ministry of international trade and industry, nearly 10 per cent of output has moved abroad to escape the high yen - and much of that production is sold back to Japan. Other government

Currencies, Page 29

US ruling offers boost to manufacturers

The US Supreme Court ruled yesterday that punitive damages awarded against the makers of defective products may be "grossly excessive" and therefore unconstitutional.

In a judgment likely to be welcomed by manufacturers, the court reversed by a 5-4 majority a 2m award to a doctor in Alahama who had sued BMW, the German car company.

He took action against the company after discovering that his new 500 series model had been partly repainted after suffering acid rain corrosion during shipment to the US.

With product liability a controversial issue in the US Congress and state legislatures, the court the highest in the country - did not issue new guidelines to judges and juries on what might be appropriate damages awards.

By Clive Cookson in London

Canadian researchers.

Salt is safe for healthy people,

who are unlikely to suffer high blood pressure from present lev-els of consumption, according to

The study by Professor Andrew Logan and colleagues at the Uni-

versity of Toronto is published

today in the Journal of the Amer-

ican Medical Association, It con-

tradicts papers in the current British Medical Journal, which

conclude that high blood pres-

sure caused by excessive salt con-sumption is responsible for a lot

The Canadian scientists used a

technique called meta-analysis to

combine the results of 56 clinical

trials over the past 20 years,

which examined the effect of

changing salt intake on blood

are that, based on available trial

data, dietary salt intake has little effect on blood pressure in the

The key findings of the study

Lectes .

of heart disease and strokes.

Supreme Court says damages against makers of defective products may be 'grossly excessive'

writing for the majority in favour of the decision, said: "We are not prepared to draw a bright line marking the limits of constitutionally acceptable punitive damages awards [but] we are fully convinced that the grossly excessive award imposed in this case transcends the constitutional

The ruling stands as a warning to lower courts and juries to keep a sense of perspective in determining punitive damages. It also reinforces the powers of judges to

Salt in diet has little effect

on blood pressure, says study

population at large," said Dr Logan, professor of medicine at the university. "Among those

with a high blood pressure prob-

lem, the benefits of limiting die-

tary salt intake are confined

cutting average salt consumption

by about a third. But Dr Logan

said: "We can no longer accept on blind faith that restricting salt

intake is harmless. More research

on the long-term benefits and

risks ... is necessary before advo-

cating a policy of universal

restriction which may benefit

only a small segment of the popu-

Professor Graham MacGregor of St George's Hospital Medical

School in London rejected the

intake would have immense ben-

efits for the UK population," he

said. Salt and food manufacturers

"have conducted a sustained pub-

lic relations campaign over the CONTENTS

"A moderate reduction in salt

Canadian conclusions.

Many countries recommend

largely to older individuals."

reduce jury awards. awarded \$4m in punitive dam-

Justice John Paul Stevens, ages, subsequently halved by the

state supreme court.

BMW had been joined in its appeal by several prominent US industrial lobbies as well as, in friends-of-the-court briefs, by US media organisations concerned that libel damages were now so high as to constitute a threat to freedom of speech.

Congressional interest in product liability was sparked by the Republican Contract with America election manifesto of 1994. which called for wholesale "tort" reform.

last decada to try and obfuscate

the evidence that salt is an

important cause of high blood

pressure and, therefore, strokes

According to Dr MacGregor,

the Canadian research focuses on sbort-term "intervention

tific evidence shows the benefits

of consuming less salt. "Those who use this evidence in this way

misunderstand the difference

between decades or a lifetime of

high salt intake and a few weeks

Dr Logan insisted, bowever,

that "intervention studies are the

only sensible basis for public

by Campbell Soup, the US food

company, through a grant from

its Campbell Institute for

Research and Technology. Dr

Logan said the company had no

Editorial Comment, Page 15

influence on the research.

The Toronto study was funded

of modest salt restriction."

bealth policy".

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Int. Bond Service

Money Markets .

Marraged Funds _____32,33

sbort-term "intervention studies", while the overall scien-

and beart attacks".

But the only legislation actuin the Alabama case, Dr ira ally passed has been rather nar-Gore won just \$4,000 in compenrow in scope, covering specific sation from BMW but was sectors, such as the securities

President Bill Clinton has also used his veto power against some bills, thus inviting Republican criticism that be is in the pocket of the US trial lawyers' lobby. substantial contributors to the Democratic party.

year, but his veto of the product liability bill, setting specific damages ceilings, is likely to be sus-Justice Ruth Bader Ginsburg.

appointed to the court by Mr Clinton, joined Justice Antonin Scalia, its most conservative member, in the minority, both citing infringement on "the states' domain". She added that the ruling came "in the face of reform measures recently adopted or currently under con-

He was overruled by Congress on the securities bill late last Continued on Page 16 sideration in legislative arenas".

WILL THE D-MARK DIVE LIKE KLINSMANN?

Where do you see the Deutschmark going over the next three months? With City Index, you can back it to tise or fall against most of the major currencies. It is simply the best way to speculate, especially as spread betting profits are free from Capital Gains.* Plus we pay the betting tax for you.

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in insider probe

Credit Suisse, the Swiss banking group, said it had been asked

insider trading in the shares of Syntex, a US pharmaceutical

CS said it was conducting internal inquiries and could make

company, before its \$5.3bn acquisition by Roche Holdings of

newspaper that it had made a profits of SFr500,000 (\$400,000)

Sonntags Zeitung also reported that a purchase of 100,000 Syntex shares by Rieter Holding was under investigation.

Trading patterns before the announcement of the Syntex

by Swiss prosecutors for information relating to alleged

no further comment on reports in the Sonntags Zeitung

on a purchase of 45,000 Syntex shares:

acquisition set off alarm bells in the US.

EUROPEAN NEWS DIGEST

Switzerland in 1994.

By Hugh Carnegy in Stockholm

A atrike by 37,000 Norwegian mechanical engineering workers entered its second week yesterday with little sign of an end to a dispute which has crippled output at several top companies and is set to hit manufacturers in neighbouring Sweden.

The dispute over wages has caused serious production stoppages at some 500 companies, and yesterday was reported to have affected Norway's North Sea oil output for the first time. Flow from Statoil's Gullfaks B platform has been reduced because of

German

plea over

states aid

By Neil Buckley in Brussels

Germany has asked the

European Commission to extend EU aid payments to the former East Germany beyond

1999. It warns that rebuilding

the eastern states will cost

"hundreds of billions of D-Marks a year" well into the

It also wants the competi-

tion authorities to continue to

give favourable treatment to

applications for German state

eral states, or länder. Mr Günter Rexrodt, the eco-

nomics minister, presented a memorandum in Brussels yes-

terday to Mr Jacques Santer, the Commission president, and Mr Karel Van Miert, the com-

progress of reconstruction in

the former Communist portion

of the country. He said Germany had come

"half way", but the rest of the process would be "more com-

plicated". The eastern states

still lacked infrastructure, and

had no funds to finance invest-

of time, longer than originally

planued, when important and

broad public support measures

to increase entrepreneurial

trial question, but a social

question, about the social

coherence of a country and a

Eastern Germany is due to

This is not just an indus-

capacity will be needed.

"We will have a long period

ments themselves.

people." he said:

bsidies to the eastern fed-

next century.

eastern

The Labour government, which has Motors of the US, said it would be legal powers to end the strike and forced to lay off 3,000 workers if the enforce mediation, has no plans to intervene, however. "We are following the situation, but it is primarily up to the parties to find a solution through mediation." said Mr Gunnar Berge, local government and labour minis-

One of the hardest hit companies has been Raufoss, a maker of compothe stoppage had cost it a NKr40m (\$6m) contract to supply bumpers to

strike did not end by tomorrow because it depends on Raufoss for steering system components for its 900 and 9000 models.

Other Swedish component suppliers to Saab would also be hit as a consequence since Saab operates, as do other car manufacturers, on a just-intime delivery system with very low component stocks.

Saab's Swedish rival Volvo said it would be forced to cut production at its plant outside Gothenburg if supplies from Ranfoss did not resume

union, representing the mechanical engineers, and the TBL engineering employers' federation are deadlocked over the rejection of a one-year pay deal agreed earlier between negotiators from the two sides. The workers want a wage increase of NKr3.00 per

The blue-collar Fellesforbundet

The strike has so far had little effect on Norway's vital oil output, but this is likely to change as maintenance work is shut down. Statoil said output from Gullfaks B. which normally pumps about 140,000 barrels of crude

Top ten car sales in Sweden

Unit sales January-April (1000)

Votvo 800

Ford Maridex

SAAB 900

hour - double the rate agreed by

negotiators - and improved pension

per day, was down by 23 per cent as a result of a faulty pipe which could not be repaired.

Kvaerner, the shipbuilding and engineering group which recently took over Britain's Trafalgar House, said its shipyards and other manufac-turing in Norway was virtually at a

standstill. It said 4,000 workers, about half its Norwegian workforce, were on strike, and up to 1,000 more would have to be laid off temporarily. "We hope we will be able to catch

up on these projects and fulfil our contracts on time. But of course we are very concerned about the strike,"

Trading volume in call options for Syntex tripled on the Chicago Board Options Exchange the day before the

Market share (%)

Brussels passes Bosch's US deal A planned \$1.5bn purchase by German motor components group Robert Bosch of AlliedSignal's automotive brakes business passed its final hurdle yesterday by winning the

approval of the EU's competition authorities.

Bosch'a deal with the US multinational will allow it to offer complete braking systems for cars and light- and medium-duty

Until now it has produced complete braking systems only for heavy duty commercial vehicles. AlliedSignal earned \$2.1bn in sales last year from the business now being sold. Under the terms of the deal, Bosch will now assum responsibility for 11,000 employees and 24 production facilities in Europe and North and South America, as well as joint ventures in Korea, China and India. John Griffiths, London

Czech PM's party loses support Support among voters for the incumbent Czech government.

which faces a general election on May 31 and June 1, has fallen from 41 per cent to under 35 per cent of voters, according to an opinion poll yesterday.

The poll, taken between April 30 and May 7 by the state-owned IVVM agency, showed the centre-right Civic

Democratic party (ODS) of prime minister Vaclay Klaus at 21.8 per cent, down from 25.5 per cent a month earlier; its two smaller coalition partners also suffered reversals. Support for the opposition Social Democratic party (CSSD) rose slightly to 17.7 per cent from 15.5 per cent.

Analysts said the drop in support for the governing parties reflected the higher profile adopted by the CSSD before campaigning opened officially last week. Mr Milos Zeman, its leader, bit the campaign trail several weeks ago. Mr Klaus, angered at what he deemed an excessively low-key campaign by ODS organisers, has made several personnel changes in his Vincent Boland, Prague

Italian inflation figures mixed Mixed inflation data from three of Italy's largest cities may

damp market expectations of a cut in Italian interest rates. Preliminary consumer price estimates for May, released yesterday, indicated that inflation rose in Turin, and fell only slightly in Trieste and Milan. With a new centre-left government now in place, the

financial markets believe that if the annual rise in consumer prices is held to 4.1 or 4.2 per cent for May, against 4.5 per cent m April, the Bank of Italy may cut interest rates. Official May inflation figures will be released next month.

HATTER BELLEVIEW

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Separately, Istat, the state statistics institute, published industrial production figures that showed the year-on-year rise for March had come down to 8.6 per cent, against 4.9 per cent Andrew Hill, Milan A union representing Alitalia cabin crew yesterday called a

24-hour strike for May 31 in the first clear signal of opposition to the Italian state striine's restructuring plan. Sulta, the cabin crews' union, said Alitalia had shown "no willingness to reach a positive solution".

Boost to Greek-Albanian links

Greece and Albania have signed agreements offering temporary work permits to Albanian immigrants and opening a Greek consulate in Korce, a southern Albanian town where investment by Greek companies is increasing. The agreements seal a recent improvement in relations after several years of hostility over the status of the ethnic Greek minority in southern Albania. Diplomats said the accord on migrant workers would give Albania's governing Democratic party a boost ahead of Sunday's general election.

More than 300,000 Albanians work in Greece, but fewer than 50,000 are legally employed. The agreement does not specify how many Albanians will be eligible, but a Greek official said more than 100,000 seasonal jobs were available. Greek textile, tobacco and food-processing companies have invested about \$15m in joint ventures with Albanian partners in Korce. taking advantage of low labour costs.

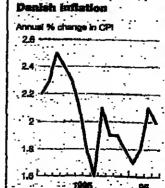
Jail demanded in Banesto case

The state prosecutor in Spain's Banesto banking case is seeking a 44-year jail term for Mr Mario Conde, former chairman of the banking group which underwent a \$4bn rescue operation after intervention by the Bank of Spain in

Mr Conde faces charges of fraud, misappropriation and falsification while running the bank, which has since become part of the Banco Santander group. The prosecutor is also seeking Pta7.8bn (\$61m) in compensation. Jail terms of between eight and 30 years are being sought for seven former colleagues of Mr Conde.

The Deposit Guarantee Fund, the safety-net body funded by the Bank of Spain and the banking system, which is among several parties pressing for criminal charges, is asking for a 54-year term for Mr Conde and repayment of Ptai92bn which went into the rescue. An investigating judge last month completed a 17-month probe of Banesto. David White, Madrid

Prices inch up in Denmark



index rose 0.3 per cent in April from a month earlier. bringing the year-on-year inflatiou rate to 2.0 per cent. the national statistics agency said yesterday. The April figure was

Denmark's consumer price

expected. Analysts had predicted a month-on-month rise of 0.3 per cent and a yearly rate of 2 per cent. The largest price increases were seen in the categories of heating and medical care. which rose by 0.5 per cent : from the previous month. In contrast, the only sector to record a decline was clothing

and footwear, which fell 0.4 per cent from March. But consumer prices calculated in line with new European Union methods rose 0.3 per cent in April from March and were 2.3 per cent higher than in April 1995, the statistics agency Reuter, Copenhag

The central bank of Latvia said the country's gross domestic product fell by 1.6 per cent last year. It blamed last year's banking crisis, an unstable budget situation and post-election political uncertainty.

Uncertainty over tax changes is creating a harsher climate for local carmakers

Swedes' love affair with company cars goes cold

A grinding gears, a fierce debate has broken out in Sweden over company cars. On one sida in the argument is the Social Democrat govern-ment and on the other side the country's motor vehicle industry and trade union leaders:

The debate involves a num-ber of vital but sometimes conflicting issues, including: • The government's desire to further Sweden's environmentfriendly credentials:

 Questions of tax advantages in a high-tax economy;

• Concern about jobs in a key industry at a time of record 12

At the heart of the issue are Sweden's two car manufactur ers, Volvo and Saab.

For years they have been heavily reliant on company car sales for a big chunk of revenues in their important home market - which together they have dominated. But both have seen their sales in Sweden lurch into reverse this year amid uncertainty about the rules governing the purchase of cars by employers for use by

This has happened just as the two companies are struggling to survive losses caused by a combination of low volumes, high development and marketing costs, and the effects of a rise in value of the Swedish krona.

Volvo and Saab have so far been the main - though not the only - beneficiaries of Sweden'a company car regime. When developed in the late 1970s, this regime effectively offered a way for employees to get significant income benefits while avoiding the worst

receive a total of Ecul4bu (\$17bm) in EU structural funds, in a six-year programme ending in 1999. Mr Rexrodt warned that ending the aid could lead to social problems, and transfer of industry into the western länder.

He hoped the Commission prehension" in dealing with applications for state subsidies. Until last year, it had accelerated vetting procedures for state aid to eastern Ger-many, with special concessions allowing block payments of subsidies without case-by-

case scrutiny.

It was replaced by a special task force to vet east German aid within the Commission'a competition directorate, but that is currently due to last only one year. Mr Santer said extended aid

to eastern Germany would have to be the subject of "joint dialogue" with other men states. "They must be included in the dialogue, because they also have problems at home," ha warned.

Commission officials said they believed the special arrangements for vetting German state aids were already adequate_ Gross transfers of public

funds to eastern Germany from 1992 to the end of this year are projected to reach DM854bn (\$562bn), of which the Germany authorities expect to receive DM214bn back in taxes.

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O The Financial Times Limited 1996. Editor: Richard Lambert, clo The Financial Times Limited, Number One Southwark Bridge, London SEI 9HL. nents for the car industry which said Germany's BMW.

In Sweden, Saab Automobile, halfowned and managed by General

> Many employees on middle and upper incomes could thus afford large cars – and their choice was weighted towards Volvo and Saab because in the home market they were priced more keenly than equivalent-

This has led to the unusual situation, compared with other European countries, that the Iuxury Volvo 800- and 900series models are the two biggest-selling cars in the country. As it operates today, the company car system means

> **Hugh Carnegy** on a debate that has even included the risk of collision with elks

that an employee pays mar-

ginal income tax every year on

up to 40 per cent of the value of his company car. In addition, the car user can be fully reimbursed for petrol by the employer, even for private journeys, without incurring any income tax.

The number of company cars has already fallen in recent years from a peak of around 260,000 to 170,000 out of a total car stock in Sweden of 3.5m. This has come about because reforms to the income tax sys-tem have already narrowed the tax advantage of company

The percentage of company cars in Sweden's total car excesses of marginal taxes, stock is well below the percent-

for some 10 per cent of vehicle sales. But company cars make up 80 per cent of Saab sales in Sweden and up to 50 per cent of Volvo sales - and for both companies Sweden is one of their top three markets. Now the government is pro-

posing rule changes which the motor vehicle industry lobby believes will further erode the incentive for company cars by further narrowing the tax advantage and increasing the administrative cost to compa-

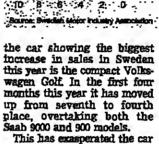
A proposal earlier this month by the finance ministry would limit the petrol allow-ance. Most users would be compensated by lower tax on the value of their company car, but many companies said their inclination was in future to run down their company car fleets - offering employees low- or zero-interest loans to buy cars instead.

"The company car market will decline to about 40 or 50 per cent of what it is today." estimates Mr Ronny Svensson a company car consultant in the city of Malmo.

The government's intention driven by Ms Anna Lindh. the environment minister - is not so much to close tax loopholes as to end a system that effectively encourages people to drive further in big cars. This goes against government policy to cut pollutant emis-

Ms Lindh is insisting that Swedes should switch to smaller, less fuel-thirsty vehicles and has suggested Volvo and Saab should also adapt their model ranges.

age in the UK, for example, already of having an effect, as nothing," insists Mr Svensson. colleague at Volvo.



This has exasperated the car sector lobby, which warms that 200,000 jobs linked to the industry in Sweden are at stake. This year, German-made cars have overtaken Swedish-made cars as holders of the biggest market share in Sweden.

the environmental argument. The emission effects of shift-The policy shows signs ing to smaller cars is almost new rules are clear," echoed a

decline in safety as Swedes have to drive long distances and face special dangers, like the frequent collisions with elks, which small cars cannot cope with like Volvos and

The issue is not due to be settled until late this year, when the government will mut new company car rules to parin the meantime Volvo and

Saab are resigned to their fate. narket share in Sweden. "For us Sweden is a black The car lobby also scoffs at hole at the moment," said a Saab spokesman. The market

then around 80 per cent. Serb hardliners in last stand against Dayton

By Harriet Martin in Sarajevo

Hardlinars wera yesterday consolidating their hold on the Bosnian Serb leadership, after brushing aside demands from the international community to depose their president, Mr Radovan Karadzic, who is wanted in The Hague on charges of war crimes.

The failure at the weekend by Mr Carl Bildt, in charge of plementing the civilian side of the Bosnian peace process, to persuade the Bosnian Serbs to oust the hardline leadership casts a shadow over the prospects for the Dayton peace process in Bosnia. But reports in Belgrada

suggested that, while Mr Karadzic was clinging to power, he would soon face renewed efforts by President Slobodan Milosevic of Serbia to force him to step down. Mr Milosevic himself has come under pressure from the international community to oust Mr Karad-

"They are the last gasps of a drowning man," said a Serbian reporter of Mr Karadzic's most recent manoeuvre aimed at keeping control from the side-

Mr Momcilo Krajisnik, leader of the Bosnian Serb parliament, on Sunday promised Mr Bildt a signed undertaking on behalf of the Serb leadership in their mountain stronghold of Pale to push Mr Karadzic aside. But the document did not materialise. Under the Dayton agreement, Mr Karadzic is barred from standing for office in the elections throughout Bosnia scheduled for this

Mr Bildt's spokesman yesterday tried to put a positive gloss on the weekend's events. Mr Colum Murphy said: "I think a sea-change has taken place in the Bosnian Serb leadership, at

least in their understanding that Mr Karadzic must be removed and must stay out of public life."

Mr Karadzic did announce over the weekend that he would hand over some of his duties to the vice-president, Mrs Biliana Playsic. These duties would include dealings with the international community, from which he has been excluded since the Dayton agreement was signed last November. However, Mrs Playsic is con-

sidered even more hardline than Mr Karadzic himself and it is likely that her appointment was a slap in the face for Mr Milosevic.

At a secret meeting in Bel-grade on Thursday between the Serbian President and Mr Karadzic, the Bosnian Serb leader is said to have agreed to cede power if his ally became prime minister in place of Mr Rajko Kasagic, who was backed by Mr Milosevic.

Mr Kasagic had been a pub-lic backer of the Dayton peace plan. His replacement, Mr Gojko Klickovic, is another wartime hardliner. Mr Bildt, who has tried to encourage the emergence of a more moderate Serb leadership, refused to recognise the sacking of Mr Kasagic.

Many diplomats believe that Mr Bildt's determination to get Mr Karadzie out of public office is fruitless, when collec-tively the Bosnian Serb leadership opposes the reintegration of the country demanded by the Bayton agreement. Mr Kasagic, the custed prime minister, said yesterday: "All

Karadzic as leader of the Serb "I believe he has the best interests of the Serb people in mind and I wanted to help him against the accusations (of war

my efforts were to help Mr



wounded three other people in the city of Córdoba, writes David White in Madrid. The explosion was blamed on Eta, the Basque separatist organisation. It would be Eta's first attack since the seneral election in March which gave power to the centre-right Popular party.

Romania may restrict right to sell farmland

Romania, one of eastern

Europe's main agriculture producers, is considering restricting the right of farmers to sall their land on the free market and may create a national land : agency with broad powers of intervention. The return of farmland to

more than 5m former owners-1991 act laid the basis for private sector farming, a traditional mainstay of the Romanian economy.
It is regarded as one of the

country's most important post-Communist reforms. However, it has led to farmland being divided up into small, uneconomical holdings. The amount returned was limited to 10 hectares per former owner but the average was 22ha, often divided into four or five plots. A new law has been drafted which aims to create larger

farms by dictating to whom farmers may sell their land. It says land must be offered to joint owners, neighbours or farmers leasing the land in that order. If no buyer is found in these categories, then a new rural development agency will have the right to buy. However, in an attempt to

prop up land values, under one proposal the agency would pay a centrally-determined price for land, above its current market value which the left-wing minority government considers too low. This, however, could lead to the agency being flooded with offers.

Creation of the agency was foreseen in the 1991 law but the two houses of parliament have been unable to agree on the details. There now appears to be a consensus in favour of the bill in the Senate, the upper chamber, which has restarted debate on the draft. Farmers' groups and western

bill smacks of central planning and that its acceptance would be a setback for the sector, the reform of which is critical to Romania's chances of joining the European Union. Last year, agriculture which

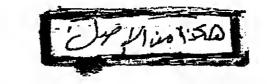
is more than 80 per cent privately run, contributed about 20 per cent of gross domestic product and employed a third of the workforce, more than in any other former Eastern bloc country apart from Albania. The agency, as presently planned, is also seen by analysis as far too expensive for the cash-strapped state to run, and would add another layer to an already stifling bureau-

cracy. It could also produce further scope for corruption.
"Among other things, we fear that well-connected individuals could buy up land cheaply and sell it at higher prices to the agency," a west-

1995

Spain posted a Pts279.1bn (\$2.2bn) budget surplus in April. compared to a deficit of Pta692.2bn in March.

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German pay showdown in public sector

and Frederick Stüdemann

German transport and postal services were hit by e further outbreak of strikes yesterday as public sector workers vented their frustration at the government's determination to

freeze wages and cut spending. The actions came ahead of tomorrow's resumption of public sector wage talks, where employers have so far refused to make an offer. Trade unions. led by the big OTV public sector union, are demanding a 4.5 per cent increase for the 3.2m public sector workers.

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As more evidence of the worsening public finances emerged, Chancellor Helmut Kohl asserted he would stand firm against the unions. "I have never been impressed by t keats," he said on German television. Unions were simply trying to protect their own interests. "They will not get anywhere "

Yesterday's action - consist-

normally last a few hours brought transport services to a halt for several hours in the morning, mainly in the heavily industrialised state of North-Rhine Westphalia, Particularly dorf, Bochum and Leverkusen. Stoppages also occurred in cities elsewhere, such as Stuttgart and Hanover

Postal workers halted deliveries in several districts of Berlin. Other services to be hit in different parts of Germany included waste collection, hospitals and kindergartens.
As well as bolding down

ages, employers also want to introduce longer and more flexible working hours and reduce sickness payments. Mr Lothar Ruschmeyer, the Cologne city official representing local authorities, said they had little room for manoenvra by employers. "We have only a limited budget."

As union anger mounted, the government made clear why it was taking a tough stance. Mr



Cologne bus drivers standing in front of their depot during a token strike over wages yesterday

Theo Waigel, the finance minister, said federal borrowings might have to rise because of an expected fall in 1996 tax revenues of around DM11.8hn (\$7.7bn) and higher unemployment spending. It had planned to keep borrowings below DM60bn this year.

He gave no details of how much new deht the government would take on, but said it would not be as large as the soon to estimate how much

shortfall caused by the drop in tax receipts and the spending increase. "We will do everything to keep it [new debt] as low as possible," he said. Calls from the opposition

Social Democratic party for a supplementary budget were ruled out by Mr Walgel who said existing measures for freezing expenditure were sufficient. He added it was too

new borrowing was necessary as it was not clear how high interest payments and savings in expenditure would be. Mr Gennar Uldall, economics

expert of the Christian Democrat parliamentary party, called on Mr Waigel not to increase public borrowing. Mr Uldall, who has proposed an overhaul of the tax system, said any increase in borrowing would be "unjustifiable".

St Petersburg sends poll alert to Yeltsin

Mr Anatoly Sobchak, the liberal mayor of St Petersburg, bead-to-bead election against his deputy after failing to secure an outright majority in Sunday's poll for the city's top

The election, seen as a dress rehearsal for next month's Russian presidential poll, confirms a strong anti-incombent mood among voters and may worry President Boris Yaltsin's advisers.

Mr Sobchak had closely identified himself with the president in an attempt to win support. "We are in one team with President Yelisin and represent the reformers," Mr Sobchak said on the eve of the poll. The incumbent mayor received 29 per cent of the vote in e low turn-out of just 49 per cent. Mr Vladimir Yakovlev, the deputy mayor who broke with Mr Sobchak to run as an independent, made a surprisingly strong showing, winning 22 per cent. The Communist party candidate came fourth

with 10 per cent. The result highlights how Russia's opinion polls often fail to reflect the strength of opposition candidates. The last pre-election opinion polls accuJohn Thornhill sees Russia's second city warn those in power

rately predicted Mr Sobchak's vote but greatly understated Mr Yakovlev's support. How-ever, Mr Yakovlev did receive the last-minute endorsement of two other candidates who pulled out of the race.

Mr Yakovlev, 51, who runs the city's municipal services, has criticised Mr Sobchak'a ineffectiveness and vowed to rebuild St Petersburg's todustrial base, styling himself as the local equivalent of Mr Yuri Luzhkov, Moscow'a earthy and populist mayor. But Mr Yakovlev is e polit

ical moderate who backs Mr Yeltsin's re-election campaign. The post of St Petershurg mayor - to be renamed governor - could assume considerable importance if Mr Gennady Zynganov, the Communist party presidential candidate, were to become

Russian president. St Petersburg became a cen tre of resistance to the hard-lina Communist coup of 1991 and the liberal city could

again be pitched into confron-tation with Moscow if Mr Zyuganov attempted to implement some of his supporters' more hardline policies.

When first elected in 1991.

Mr Sobchak received almost two-thirds of the vote but his popularity has waned as the city's economy has slumped and the local administration

has seemingly failed to arrest a slide in living standards. The second round of voting is likely to be held on Sunday and Mr Sobchak must still be considered favourite. A St Petersburg Times/Gallup poll, conducted between May 12-14. found 40.9 per cent of the 1,012 voters polled would vote for Mr Sobchak in a second round contest compared with 27.8 per cent for Mr Yakovlev although 20 per cent remained undecided.

But Mr Yakovlev's aggres sive and well-financed campaign has now gained considarable momentum and is attracting the backing of most of the defeated candidates.

Local newspapers have also speculated that Mr Yakovlev is linked to a clique of Moscow politicians, including Mr Oleg Soskovets, the hardline first deputy prime minister.

French civil lead new strikes

By David Buchan in Paris

The French government is seeking to head off a clash with unions angered by prime minister Alain Juppe's promise to cut "excess fat" out of the civil service, as part of his economy drive in the 1997

Unions have already planned Inational demonstrations on Thursday to push for reductions in working hours as a way of creating more jobs. Sectoral strikes are also schedaled for early next month to protest against the partial privatisation of France Telecom and against the possible modification of the monopoly enjoyed by Electricité de

The unions also plan to pro-test against job losses at the state-owned GIAT tank manufacturer and at the private

Alcatel group this week. While there remains little likelihood of French unions restaging their enormous protests of last December, their leaders also claim to be out-raged by Mr Juppe's attack in the National Assembly last week on "excess fat" (la mouvaise graisse, as he put it) to the civil service.

This phrase might seem anodyne abroad.

But such is the sensitivity and surprise - of French public sector unions at being confronted with reductions in the number of government offi-cials that the civil service minister, Mr Dominiqua Perben, was at pains over the weekend socialist criticism - Mr Juppe was talking not of the present. but of the need to avoid a bloated civil service in the

Nevertheless, the Finance Ministry yesterday confirmed its desire to start pruning the civil service by not entirely replacing the 65,000 officials who will retire from the goverminent hureaucracy over the

coming year.

To underscore that it is practising the ansterity it is the control of the control preaching to other departments, the Finance Ministry also announced the scrapping of a FFr500m (\$97.3m) proposal to re-locate some 1,500 of its own officials to more comfortable quarters just ontside

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The ministry said it had only spent FFr80m on the project, mainly on buying land at Marne La Vallée which would

now be resold. However, partly because non-replacement of some civil servants will not save large amounts of money next year, the ministry confirmed yester-day that in the 1997 budget -un which France's qualification for European monetary union will be based - it is also

targeting inefficient job and housing subsidies for cuts.

It dismissed objections that this would fly in the face of President Jacques Chirac's campaign pledges to create jobs and build houses, saying that although the president was committed to achieving these goals he was not intending to waste money in the pro-

France's state TV service to loses case against producer

By Andrew Jack in Paris

A Paris court vesterday rejected attempts by France 2, one of the country's stateowned television stations, to launch a legal challenge against one of the independent production companies that

supplies it with programmes.

The tribunal de commerce over-ruled attempts by the broadcaster to appoint an independent expert to examine in detail the eccounts of Reservoir Prod, a company controlled by Mr Jean-Luc Delarue, a popular television

France 2, which has been strongly attacked by politicians and others for the large sums paid to television presenters, claimed that there was a lack of transparency in the accounts provided by Mr Delarue, who is responsible for several talkshow-style pro-

However, the tribunal said that the relatively high pay-ments made for each broadcast, as well as an advance of PFr22.5m (\$4.4m), were signed between "two andio-visual professionals" and there was no suggestion that Reservoir had not met its contractual obliga-

its ruling came as Mr Philippe Douste-Blazy, minister of culture and communications, said he would be introducing a decree to require the heads of public television stations in the future to be fully aware of the details of contracts signed with outside producers.

Meanwhile, the CSA, the French audio-visual regulator, has demanded that France 2 provide further details this week on how it intends to improve its management of contracts with external production companies following a request last week after e previous hearing. France 2 has come under

intense criticism in the last few weeks. Some of its detractors say that they want to see the station privatised and others believe the station has already sacrificed much of its public service mission by accepting advertising and broadcasting programmes per-ceived to be of relatively low

Mr Delarue's contract has come under particular scrutiny after disclosure of the margins his company makes, and the fact that his programmes have not generated the audience figures originally antici-

Some argue that there is an attempt to destabilise Mr Jean-Pierre Elkahbach, the chairman of France Television who controls France 2.

However, Mr Elkabbach's detractors question why be signed a production contract without being fully aware of its Separately, Mr Douste-Blazy ledged in the National Assem-

of the country's state-run tele-He suggested an examination of its public service mission, with stress on the importance of news, culture, debates and educational programmes.

hly last week to review the role



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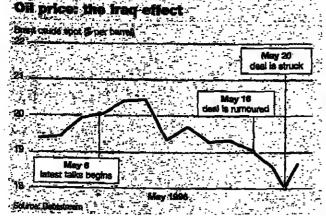
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Further reduction of short-term prices thought to be likely

Oil traders weigh impact of Iraqi sales

By Robert Corzine in Jakarta

Most oil traders and industry executives yesterday said they needed time to study the details of the agreement between Iraq and the United Nations on limited oil sales before assessing its likely long term impact on world oil mar-

Many assumed, however, that the return of Iraqi crude will further depress short-term prices. Mr Joe Stanislaw, an analyst with Cambridge Energy Research Associates in Paris, estimated that over the next few months the Iraqi deal could shave \$1-\$1.50 off the current price of around \$17.50 for the benchmark Brent blend for July delivery.

But analysts also said that the way in which Iraqi crude would be exported would also determine its overall impact on prices. A key issue facing the industry is how the return of Iraqi crude oil, even in limited amounts of perhaps 600,000 to 700,000 barrels a day will affect existing oil trading patterns. In the course of the negotiations some traders voiced fears that Iraq might try to use the oil sales in such a way as to destabilise the markets of some of

its Gulf rivals. The agreement, however, is constructed so that the UN Security Council Sanctions Committee, known as the "661 committee", will have to approve each proposed sale. Details, such as the proposed purchase price at "fair market value", the export routes and information on the letter of credits payable to a UN monihave to be provided by countries buying Iraqi crude oil.

The sales will also be monitored by independent industry experts based at Ceyhan, the Turkish port at the end of the pipeline that links Iraq's oil fields to the Mediterranean, and at Mina Al-Bakr, Iraq's oil export terminal on the Gulf. Such measures were put in

place to prevent any cheating by Iraq. Oil traders yesterday

the various safeguards, but they want to see how the system works in practice.

Mr Peter Gignoux, head of

the energy desk at the London office of US brokers Smith Barney, said the market was still not fully focused on how Iraqi exports might effect prices over the medium term. "We need to see how the oil sales are organised and how they will impact on oil trading patterns," he said.

Iraq yesterday said the agreement on limited sales was merely the first step in a pro-cess which will lead to its full return to world oil markets. But most western analysts said it was unlikely that the limited sales programme would be expanded beyond its current

objectives. Yesterday's agreement also revealed that Iraq would also like to export oil through neighbouring Syria. But Bagh-dad agreed to defer that demand "in order to facilitate the conclusion" of the agreement. Baghdad also agreed to defer another demand that it be reimbursed \$2 s barrel to cover the cost of production and transport of the oil within

The agreement also raised questions about whether other members of the Organisation of Petroleum Exporting Countries will have to cut their production in order to accommo-

date the Iraqi oil In recent months Opec's output has been running about 1m barrels a day above the group's production ceiling of 24.52m barrels a day. Opec yesterday said it would take some action at its meeting in Vienna in early June to ensure that the return of Iraqi oil does not destabilise world markets.

But some analysts warned that the return of Iraqi crude could bring to a head a long simmering dispute between Saudi Arabia, Opec's largest producer, and countries such as Venezuela, which have been cheating on their production quotas over the past year or so.

sees scope for European rate cuts Spending reductions in Germany and France bring downgrading of

OCD Officials at the Organisation

OECD ment believe there may be room for further small cuts in European interest rates to counteract the effect of fiscal tightening.

The belief emerged as the OECD published its latest forecasts ahead of the annual meeting of ministers in Paris today, showing that it had sharply downgraded its 1996 forecast from the last projections it made at the end of outlook for 1996, but a sharp rebound is expected next year Next year the OECD thinks thus exacerbating Europe's last week that France and Ger-

growth will rebound sharply. However, its officials yesterday admitted that recent spending cut plans announced by the German and French governments could weaken growth in the short term.

Against this backround, economists believe that some further easing might be appropriste. However, they warned that sudden large cuts could fuel market unease and push up long-term interest rates,

ing was accompanied by actual reductions in deficits.

Meanwhile, the group said it was far less optimistic than the European Commission about the prospect of France and Germany meeting the Maastricht criteria on debt. These stipulate that debt should be no more than 3 per cent of GDP in 1997 to qualify for monetary union in 1999. The Commission forecast

GDP* growth rises...

problem, unless monetary eas- many would narrowly meet the debt requirement. However, OECD economists said they were "very surprised" by this. Some suspect that the Commission reached this conclusion only by downplaying the knock-on impact that slower growth would have on trade

flows across the region. The OECD said its own forecasts showed France and Germany would miss the target, if latest French and German defi-

Many private sector economists doubt whether France and Germany will actually be able to implement their latest

ambitious measures - particularly given the high levels of forecast unemployment. Consequently, the OECD has stressed it does not plan to factor the measures into its calculations until it has seen the promises put into legislation.

government yesterday indi-cated that it had every inten-tion of pressing ahead with its spending cuts - and said it was determined to meet the 3 per cent criterion for debt.

If all the promised measures are actually implemented, then some OECD economists think it could bring the French deficit down near 3 per cent. Nevertheless, Mr Jean Claude Paye, the outgoing secretary general of the OECD, added that he believed that monetary union would go

ahead in Europe. Gillian Tett and Graham Bowley

and unemployment steadles

US seeks weighted voting

reighted voting at the Organisation for Economic Co-operation and Development and give Washington, which provides a quarter of the

future, Gillian Tett reports from Paris. Japan, the second largest donor, and other countries like the UK and Germany would also benefit from the

OECD budget, a significantly larger say in the group's

proposals. However, smaller countries fear they would lose influence under such a system. Some of the larger countries fear that weighted voting would seriously undermine the OECD's tradition of operating through consensus, which gives every member the right to veto proposals. The US, however, argues

that the move could belo break the paralysis which has been dogging the OECD's structures. "We think this could be used for budgetary decisions," a US official said. The suggestion comes after

year in which the group has faced a growing budget crisis, triggered partly by the failure of the US Congress to release money to pay its ones.
US officials hope to have paid their backlog by the end of the year, but they envisage

a 2.5 per cent cut in their

European slowdown hits growth forecast

GECD Economic Outlook

The Organisation for Economic Co-operation and Development has cut its forecasts of eco-nomic growth in the industria-lised world this year and next because of the sharp slowdown in the German and French

The group, expects the world's leading 27 industrialised economies to grow by 2.1 per cent this year and by 2.5 per cent in 1997. The OECD had forecast growth of 2.6 per cent this year and 2.8 per cent in 1997 when it published its last economic outlook in

Mr Kumiharu Shigehars, the OECD's chief economist, said the rise in long-term interest rates in 1994, the appreciation of the D-Mark up until last summer and turbulence in currency markets early last year were the main reasons behind the downward revisions to growth in France and Germany. The OECD now expects Germany to grow by 0.5 per cent this year compared with the forecast of 2.4 per cent six months ago.

But Mr Shigehara predicted that growth would rebound towards the end of 1996. "With a substantial reduction in short-term interest rates this year and a correction in the D-Mark we expect a recovery in the second half of this year," he said. The OECD expects Germany to grow by 2.4 per cent next year - compared with its earlier forecast of 2.7 per cent.

not take into account the big per cent this year and 2.8 per

Annual % change

as inflation falls.

fiscal cuts announced recently by the German and French governments. Mr Jean-Claude Paye, the outgoing secretary general, said the cuts might mean growth in Germany and France could be even slower than forecast, although they might also boost growth, depending on the reaction of financial markets and mone-tary policy. He said markets' reaction and monetary policy depended on the "quality" of fiscal consolidation undertaken

by countries.
The OECD expects steady growth in the US with GDP up 2.3 per cent this year and 2 per cent in 1997. This compares with December's forecast of 27

cent next year. Mr Shigehara said the downward revisions reflected higher long-term interest rates and weaker US exports to Europe but that it was also due to technical changes in national accounting

Mr Shigehara said the US was "in a happy situation. The output gap has disappeared but we do not see imminent signs of inflation."

The growth forecast for Japan this year has been reised slightly from 2 per cent to 22 per cent. But the projection for next year has been shaved from 2.7 per cent to 2.4 per cent. Growth in Japan had been a big disappointment for the OECD, but Mr Paye said

that now "where fworld economic growth) needed to improve, it is improving, in

Mr Shigehara said the Japa-nese recovery would be based on stronger business investment and a "fragile" consumer rebound. It would be underpinned by the current stimulating macroeconomic policies and by the correction of the yen from its overvaluation against the

But in spite of continued growth in the US and the recoveries in Japan and Europe, the OECD expects unemployment across the OECD area to remain stubbornly high, particularly in

It forecasts that 7.7 per cent of the workforce in OECD countries will be unemployed this year, falling only to 7.6 per cent next year - the same as it forecast in December. In Germany, the unemployment rate is forecast at 10.3 per cent this year, rising to 10.4 per cent in

"In several countries the employment situation is not very satisfactory," Mr Paye said. One of the main issues to be discussed would be ways in which more growth than currently forecast could be obtained over the next 18

Graham Bowley

Doubts over link between labour rights and trade

By Guy de Jonquières

There is no clear link between countries' economic and trade performance and their respect for core labour standards, and it is questionable whether trade measures would be effective in enforcing such standards, a study by the Organisation for Economic Co-operation and Development has found.

Nevertheless the US said yesterday that the study, approved by OECD governments only after long debate. provided the basis for pressing ahead with its controversial campaign for action on trade and labour standards

in the World Trade Organisation. Mr Jeff Lang, acting deputy US crimination in employment. trade representative, said his governrial meeting in Singapore in December to set up a working group on the issue. That demand goes beyond last month's agreement by trade ministers of the "Quad" powers - the US, Japan, the EU and Canada - simply to seek a discussion in the WTO.

The study compares evidence of developing countries' economic and trade performance with four "core" labour standards. These are freedom of association, elimination of exploitative child labour, prohibition of

domestic product and observance of freedom of association, and no rela-

tionship at all with real wage growth. Real wages have grown faster than productivity in several countries, such as Kuwait, Malaysia and Singapore, with little or no freedom of asso-The study also finds no link

between core labour standards and export performance. Argentina's trade performance worsened after restoration of democracy, while South

It finds only "s weak positive" link they improved core labour standards number of questions concerning the though for unrelated reasons.

There is no evidence that the use of child labour in hand-made carpet production has given countries such as China, Nepal and Turkey an export advantage over countries such as Belgium and Denmark. Scale economies in production are likely to be more important. It was unclear whether adoption of

core labour standards encouraged trade liberalisation - or the reverse. Rather, the OECD suggests, the two processes support each other.

forced labour standards and non-dis-crimination in employment. Korea's and Taiwan's trade perfor-mance appeared to have suffered after enforce labour standards raised "a appropriateness and the effectiveness of various WTO mechanisms". Because of the weak evidence of a link between labour standards and trade, "there is a major question of the suitability of trade measures as an appropriate instrument"

Snch measures would fall more heavily on open economies, would affect exporters with adequate core labour standards and would cause international political frictions - and possibly trade retaliation. US accuses allies over Cuba, Page 7

Banks face \$4bn bill to update World banking and securities global trade settlement systems watchdogs aim to co-operate

By Paul Taylor in London

Leading international banking institutions face a combined bill of \$4bn to replace their global trading settlement systems for bonds and equities because they have failed to keep pace with the changing financial markets, according to a survey by Braxxon Technology, an information technology management and systems con-

The survey was based on a sample of 25 top institutions employing 750,000 staff worldwide. It concludes that each of the top 50 investment banks need to spend at least \$80m to replace settlement aystems because they have failed to keep pace with business requirements arising from

However, the report also suggests that investing in up-to-date systems could cut the eventual cost of settlement transactions by more than 25 per cent, and enable information to be accessed more quickly. There would also be savings in time, reduced human error, and clerical salary costs due to automation.

"Many people know their settlement systems are not effi-cient, but at present are patching things together and deferring the harsh, expensive reality of replacing them," says Mr Francis Morton, a financial IT specialist and author of the earch. "In the long term this will act as a ball and chain, limiting the actual ability of the banks to run their

business and constraining are considering or have started their development of new prod-replacing their settlement ncts and services.

"In this competitive market, the big players with the edi-cient settlement systems will stay in business, and may pull away from others. Most banks are worried that they are going to be left behind, but the Catch 22 situation is that they are holding back until a proven solution is available. Our research shows that there is no quick fix-it solution and no sin-

Among the study's other main findings, it emerged that almost a third of bank systems are more than 10 years old and IT-related costs of running settlement systems are as high as £10m (\$15.2m) a year. While 60 per cent of banks

replacing their settlement systems, most will use London as the first site for new systems because they feel that the diversity of products traded in the City means that "if they have cracked the problem for London then they have

Of those questioned, no institution had successfully installed a single settlement system to process fully all investment products. They have had significant problems implementing global

substantially cracked it for their systems worldwide".

systems that operate across the three main time zones. Most banks therefore favour phased replacement of systems rather than risk a single "big bang"

By John Gapper, Banking Editor

World banking and securities regulators have agreed to try to work more closely together in supervising financial insti-intions, following the collapse of Barings, the UK merchant bank, and other mishaps in financial markets.

The two main bodies representing banking and investment banking regulators from industrialised countries yes-terday issued a joint statement of principles for improved co-operation, in response to a erament of the Group of Seven leading industrialised countries at the Halifax summit last June. It does not commit regulators in any one country

likely to reinforce a move towards groups that combine banking and securities operations coming under the joint scratiny of regulators from the two industries. The initiative is being

mounted by the Basle Committec on Banking Supervision, which is the main interna-tional body for banking super-visors, and its counterpart, the International Organisation of Securities Commissions.

with each other. However, it is

It became evident that regulators had failed to share information between countries and industries in last year's Barings failure. But there had been tension between regulators in the two industries in the past. This came to a head talks intended to provide a common standard for capital to cover trading risks.
The need for better co-opera-

tion has been spurred by the consolidation of financial industries in recent years, and the increasing takeovers of securities firms by commercial banks in Europe. The bodies said they had

identified eight principles:

• Co-operation among supervisory authorities should be as free as possible from national and international impedi-· All banks and securities

firms should be subject to effective supervision, including supervision of capital. · Geographically and functionally diversified financial - See Lex. Page 16

to specific ways of working in 1992 with the breakdown of groups require special supervissory arrangements.

firms should bave adequate capital. · All firms need to have proper risk management. Adequate reporting and disclosure is needed to ensure the transparency and integrity of markets.

• Markets must be able to survive the failure of individnal firms.

 The supervisory process bas to be constantly improved.
 Despite this, the statement said arrangements to improve co-ordination and co-operation "will not in any way reduce the powers and responsibilities" of individual untional

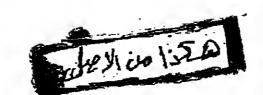
THE SLEEPER SEAT THAT GIVES OTHER AIRLINES SLEEPLESS NIGHTS.

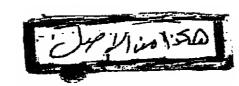


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HK groups accuse Patten of 'great disservice'

In Hong Kong

Hong Kong's main business organisations have written to Mr John Major, UK prime minister, accusing Mr Chris Patten, the territory's governor, of making "inappropriate and divisive" attacks on their

The criticism marks an escalation of a row triggered during Mr Patten's recent tour of North America and reflects a strained relationship between the governor and members of the business community.

Chinese companies will build stakes in Hong Kong businesses up to and beyond the territory's return to Chinese sovereignty next year, according to the head of the Asian securities arm of Crédit Lyonnais, the French state-owned bank, writes John Ridding in Hong

"There are some really big changes in corporate ownership coming which will

Ties between Mr Patten and some businessmen have been dameged by democratic reforms in the territory, which were implemented last year and which are flercely opposed

The governor has urged stronger action from businessmen in defending Hong Kong's interests and autonomy ahead of next year's bandover to

the handover to China.

in their letter, sent yester-

surprise a lot of people," said Mr Gary Coull, chairman of Crédit Lyonnals Securities Asia. "Every industry in Hong Kong in one form or another will end up with some substantial Chinese, PRC, equity interest at some stage." Mr Coull said that sentiment towards Hong Kong was "cautiously optimistic" but added that there was a lot of uncertainty relating to

> day, seven business organisations said that comments made by Mr Patten during his tour of North America earlier this month had cast doubt on the integrity of the business com

interview with Newsweek magazine, the Hong Kong General Chamber of Commerce, the Federation of Hong Kong Industries and five other business bodies said Mr Patten had done Hong Kong "a great disservice"

Mr Patten said in the interview that "privileged" Hong Kong people would not be supporting Beijing's plans for the handover, which include the dissolution of the territory'a elected legislature, "if most of them did not have foreign passports in their back pockets".

claims that he accused the bility to speak out for Hong business community of betraying Hong Kong, in a reference to the wording of the article's headline.

"I have made no such accusation," Mr Patten said last tion for the contribution that

the business sector has made to Hong Kong's success. However, he added that members of the Preparatory Committee, the business-domi-nated body eppointed by Beijing to oversee the hand-

Rejecting the charges from the chambers of commerce, a spokesman for the governor said last night that the criticisms seriously misrepresented the governor's message. He said that Mr Patten had

expressed confidence in Hong Kong's future but had done so against the background of anxieties sbout decisions Chinese officials and perру ceived threats to Hong Kong's political and social institu-

Dhaka's . leader brings out the tanks

By Mark Nicholson, South Asia

Tanks and troops yesterday ringed the palace of Mr Abdur Rahman Biswas, Bangladesh's president and caretaker leader, and other strategic sites in Dhaka after he dismissed the army's chief of staff, accusing him in a national television broadcast of plotting a

"revolt". The sudden deployments sent a wave of panic through Dhaka until it became clear and the troops loyal to Mr Biswas. Political nerves are fragile ahead of elections due on June 12, and following last Febru-

ary's boycotted polls. Witnesses said calm had returned to the city last night, with traffic normal and no incidants reported. Six tanks remained outside the presidential palace, but troops appeared relaxed and the tanks' machine guns unarmed.

Mr Biswas, who assumed special interim powers as caretaker leader of Bangladesh in March dismissed Lt-Gen Abu Saleh Mohammed Nasim as chief of staff after the army leader refused to send two senior officers into early retire-

The two officers were alleged to have held talks with political leaders in the run-np to next month's elections.

"The nation cannot accept such a breach of military discioline, so I had to act." Mr Bis was said on national television. He then accused Mr Nasim. a hero of Bangladesh's liberation war of 1971, of organising troops to march on Dhaka. This amounted to e revolt," he claimed.

The political nentrality of Bangladesh's army will be critical in next month's elections, called in March after former Prime Minister Khaleda Zia bowed to opposition pressure and stood down.

Mr Biswas succeeded Mrs Zia to head a "neutral caretaker segovernment", meeting the chief demand of the country's three main opposition parties, led by Sheikh Hasina of the Awami League. She had led a two-year campaign of strikes and street protests alleging Mrs Zia's Bangladesh National ist Party was incapable of holding fair polls.

The opposition boycotted the returned a predictable sweep of BNP politicians.

Bangladesh's army retired to barracks in 1991 with the end of the military regime of Gen Ershad and the elections which returned Mrs Zia's BNP to power. Gen Ershad is seeking to contest next month's polls from jail, where he has been since losing power.

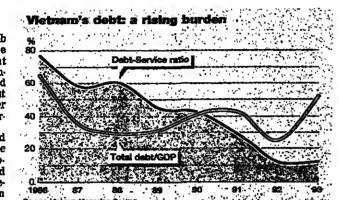
Vietnam and London Club in \$900m debt settlement plan

By Jeremy Grant in Hanol

Vietnam and its London Club creditors yesterday unveiled e package of proposals aimed at settling Hanoi'e \$900m of commercial arrears but surprised bankers by agreeing to grant Hanoi a significantly higher than expected level of debt for-

Vietnam's central bank and a bank advisory committee chaired by Bank of Tokyo-Mitsubishi and Australia and New Zealand Bank said agreement in principle had been reached on a menn of options to clear the debt, which would be put to all creditor banks. If accepted by all London Club creditors, the deal could clear the way for communistrun Vietnam's debut on the international capital markets and unlock fresh bank lending. Main sticking point has been Hanoi's insistence it achieve a 50 per cent write-down on original principal which amounts

to about \$400m. "As far as the creditors are concerned it's not a particularly good deal," said Mr Frans Jonkers, Asian bond economist with ING-Barings in London.



Creditors can choose from a cash buyback, par bonds bearing low interest and discount bonds at market rates to settle principal. Interest arrears are to be treated by issuing "past dne interest bonds." In the case of the discount bond, banks would receive paper with a face value of 50 per cent

of the original principal.
This does not reduce Vietnam'e overall burden by that amount but eets a pricing benchmark for the rest of the package. The discount bond bears interest at # per cent

above London eurodollar rates. Cash bnyback terms were not clear but bankers said that on the basis of the options on offer, the bonds appeared expensive, even on an optimis-tic view of Vietnam's fundamentals and considering the

scarcity of similar sovereign

Such is the level of concern that some bankers fear rejection of the terms by some creditors, delaying a final settlement and complicating Hanoi's sovereign debt position. "The key issue will be what sort of

attach to Vietnam now," said one London-based banker.

Some say the long length of maturities on the proposed bonds - 30 years on those relating to original principal and 18 years on those relating to past due interest - reflects growing concerns over Vietnam's increasingly fragile macro-economic condition. Vietnam's trade deficit more than doubled to \$1.68bn in the first four months of this year. Although Hanoi appears to have scored a coup, some

observers say the epparent last-minnte climbdown has more to do with pressure from Japanese industry keen to see the problem resolved in order to kick-start new Japanese bank lending in Vietnam.

Of the 21 foreign banks fully operating in Vietnam, only one Bank of Tokyo-Mitsubishi is Japanese. Others resisted opening offices in Vietnam until the resolution of the London Club debt, two thirds of which is owed to Japanese banks. "There's pressure on the Japanese banks to start doing some business here,

bourne, Perth and Brisbane.

Assuming this is correct, the

big question is what restric-

tions will be put on the cross

ownership of the different air-

ports. The original Labor plan

proscribed a 15 per cent limit

on cross-ownership and man-

agement rights between Syd-

ney-Sydney West and its two

closest rivals, Brisbane and

Melbourne. The idea was to

provide for some competition

If Sydney is delayed, this

would pose a problem for those potential airport buyers for whom Australia's biggest air-

port, with its pre-interest profit

of A\$68.7m in 1994-95 on reve-

nues of almost A\$200m, is the

big prize. Do they bid for Mel-

bourne or Brisbane, or wait for

At least one, the Australia

Pacific Airports Corporation

Sydney?

between airport operators.

Majority secured by Kim in S Korea

By John Burton in Seoul

The South Korean government of President Kim Young-sam yesterday secured a parliamentary majority e month after it narrowly failed to retain control of the unicameral National Assembly in a general election. Analysts predict that it will now be able to proceed with promised economic reforms as Korea prepares to join the Organisation for Economic Co-operation and Development, the association of advanced industrial nations, later this

Ms Im Chin-chul, who had been elected as an independent, announced she was joining the ruling New Korea party, which brought its total representation to 150 seats in the 299-member parliament. The NKP, which won 139 seats in last month's polls, has been recruiting independent and opposition MPs since then

liament opens on June 5. The three opposition parties however, are threatening to boycott proceedings in protest over alleged pressure on MPs to join the ruling party.

to obtain a majority before par-

thet the government has threatened to investigate MPs for election violations unless they switch their allegiance to the ruling party. However, many recruits appeared to have been attracted instead by promises of state support for projects in their districts. The US paid North Korea \$2m yesterday for its help in recovering remains of US sol-

diers killed in the Korean war a move which Seoul officials said showed improving ties between the two countries. Handed over by the United Nations Command stationed in South Korea, it was made as the food crisis in the North deepened and amid uneasy inter-Korean relations following a new northern military

China silent on Lee's offer of negotiations

Taiwan President Lee Tengbui's offer to visit the main land for talks to break the ice with Beijing, an indication that it may be beving difficulty framing a response, writes Tony Walker in Beijing President Lee's remark made during bis inaugural address in Taipei, was greeted coolly by the island's stock markets, which sent prices

vesterday. China bad called for an early resumption of a crossstrait dialogue after Mr Lee's election in March. It had also quietened criticism of Mr Lee who it had said in the election campaign was destined for the

dustbin of history. While Beijing may bave been encouraged by Mr Lee's offer of a "journey of peace" to meet mainland leaders it will also have been disappointed by his reference to the need to continue what he described as

der to Taiwan's indepen sary or impossible to adopt the so-called course of Taiwan independence." China bas warned repeatedly that it could not rule out military action if Taiwan sought inde-

President Lee's swearing in as Taiwan's first democratically elected leader was eccompanied by dragon dances, a 21-gun salutes and



Taiwan's President Lee Teng-bui waves to the crowd

his four-year term, Mr Lee made no mention of opening direct sea and air links with China, moves long called for by Taiwan's business community and considered crucial to

regional hub aspirations. Mr Lee's speech was devoted to domestic affairs. He pledged to promote indicial, educational and economic reforms, bnt some political analysts were disappointed be devoted scant attention to constitutional reforms and improving

pragmatic diplomacy. "By so doing we will secure after his inaugural speech for our 21.3m people enough room for existence and develsports stadium in northeru They claim, for example, opment as well as the respect Taiwan, drew loud applause as and treatment they deserve in did his statement that China the international arena." Mr and Taiwan could unify in the Lee said. 21st century Although be spoke of working to transform Taiwan into Beijing may draw comfort too from Mr Lee's stiff rejoin-Asian business hub during movement. "The Republic of China has slways been a sovereign state," he said. "Here... it is totally numeces-

the efficiency and integrity of fireworks. incursion last week. His offer, delivered at a government.

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1965. The real exchange rate is an index throughout; other quarterly and monthly figures show the perceiptures over the corresponding period in the previous year and are positive unless otherwise stated.

	E UNIT	ED ST	ATES			JAP/	N.				GER	MANY			
	Consumber prices	Producer prices	Envious	Casto Indiana Casto	Plant arctingge rate	Caseaner prices	Producer prices	Earnings	Unit febour costs	Heat exchange rate	Congramer prices	Producer prices	Caratoga	thit labour costs	Real exchange rate
1985	0.00	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100,0	100.0
1986	101.9	98.5 100.7	102.1	99.8	85.0	100.9	. 85.3	101.4	102.8	118.4	99.9	97.5	103.6	103.B	107.5
1987 1988	105.9	103.2	106.8	97.5 99.4	78.1	101.3	92.5	103.1	100.1 96.9	122,8 130,9	100.1	95.0	107.8	107.1	110.9
1989	115.2	108.5	109.6	101.4	74.8	105.1	94.2	114.0	96.9	123.5	101.4	96.2	112.6	106.9	109.9
1990	121.5	113.9	113.5	104.0	73.2	108.4	95.7	120.1	90.9	108.1	104.2	99.3	117.1	108.0	107.5
1991	126.6	116.3	117.3	107.3	73.9	111.9	98.5	124.3	104.0	114.2	110.9	101.0	123.5 181.3	110.3	109.9
1992	130.4	117.7	120.1	107.0	74.3	114.0	95.9	125.6	112.9	114.5	116.6	104.9	138.2	115.0	10
1995	134.3	119.2	123.1	106.7	76.7	· 115.4	94.3	125.8	118.6	131.5	121.7	105.1	145.8	121.5 125.9	111.9
1994	137.5	118.9	126.5	105.4	74.5	116.2	92.8	121.5	118.5	137.1	125.1	105.7	150.8	116.1	110.3
1995	141.7	122.2	129.5	104.7	B9.0	115.9	82.0	120.1	115.9	138.1	. 127.4	107.5			115.5
2nd qtr.1995 3nd qtr.1995	3.1 2.8	2.1	2.3 2.7	-0.5 -0.7	66.7 68.6	-0.1	-0.5	-7.3	-3.4	151,0	1.9	1.6	3.8		116.5
4th qtr.1995	2.5	2.2	2.8	-0.5	70.2	-0.2	-0.7	3.7	-0.3	136.5	1.7	1.9	3.3		115.2
1st qtr.1996	2.7	2.2	2.0	2.0	71,8	-0.8 -0.3	-0.7	3.2	-0,9	126.1 121.6	1.7	1.3 -0.2		٠.	115.2 112.7
May 1995	3.2	2.2	2.2	-0.5	66.9	-0.1	-0.5	-6.1	-3.7	150.3	1.6	1,8	n.a.	· · ·	116.2
June	. 3.0	21	2,3	-0,5	66.7	0,0	-0.5	-8.5	-20	150,4	1.8	2.0	па		115.9
July	. 2.8	1.7	2.8	-0.2	65.9	-0.1	-0.7	6.5	0.3	144.9	1.8	2.0	n.a.		116.6
August .	2.6	1.3	2.8	-0.5	68.9	0.4	-0.7	0.4	-0.2	135.9	. 1.7	1.8	n.a.		114.6
September	2.5	1.8	. 2.6	-1.4	70.2	-0.1	-0.8	2.4	0.4	128.8	1.8	1.6	n.a.		114.3
October November	. 28. 26	2.3 2.1	2.5 2.5	0.6 -0.5	69.6 70.0	-0.9	-0.6	2.3	-1.4	126.6	. , 1.8	_ 1.6	n.a.		115.6
December.	2.5	23	2.7	-0.4	70.9	-0.5	-0.6 -0.8	1.2 4.3	-0.4 -0.8	125.4	1.7	. 1.3	п.а.		115.2
January 1996	27.	. 23	3.5	-1.4	71.9	-0.5	-0.8	-0.1	-0.0	125.6 121.9	1.8	1.2	n.a.		114.4
February	2.5	2.0	2.8	-26	72.0	-0.3	-0.9	2.9			1.5	0.0	n.a.		113.3
March	2.8	2.4		-2.1	72.0	-0.1	-0.3	2.3		121.9 121.5	1.6	-0.2	D.D.	:-	112.9
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1986	100.0	100.0	100.0	100.0	100.0	100.0	100.0 100.2	100.0	100.0 102.7	100.0	100,0	100.0	100.0	100.0	100.0
1987 .	105.9	98.1	107.9	103.0	104.7	111.0	103.2	111.6	105.5	101.3	103.4	101,4	107.7	105.1	94.3 94.5
1988	105.8	102.8	111.1	104.1	102.1	116.5	106.8	118.4	109.7	102.1	. 107.7	104,9	116.3	107.5	94.5
1969 .	112.6	106.2	115.4	105.2	99.6	124.2	113.1	125.6	. 112.3	105.1	113.0	108.7	126.2	110.3	102.3
1990	118.5	- 107.1	120.6	109.6	102.9	131,7	117.6	134.7	116.6		121.8	113.9	137.2	115.1	101.2
991	120.2	105.9	125.8	113.4	100.7	140.3	121.7	147.9	129.5	111.9 i	133.3	121.0	150.1	122.7	102.4
1992	. 123.1	104.3	130.3	115.6	104.6	147.7	124.0	155.6	134.3	109.8	141.2 146.4	127.5	162.4	129.5	105.1
993	125.6	- 101.6	133.7	118.1	107.1	153.0	128.7	161.9	135.7	95.6	148.7	131.5	173,1	130.5	97.9
1994	127.7	102.7	138.7		108.6	160.0	133.5	167.0	137.9	93.6	152.4	136.7 ·	180.9	130.4	80.3
1995	150.0	109.7 .	139.5		158.8	168.9	143.9.	172.2		90.8	157.8	1450	189.5 187.9	130.4 134.6	91.3 88.1
and etr.1995	1,8	8.8	2.2		106.4	5.5	8.8	2.3	-	87.4	3.4	42	4.7	3.0	87.3
and optr.1995	1.8	7.8	2.6		106.9	6.7	9.0	3.6		92.4	3.7	4.4	4.3	3.5	87.9
fth atr.1995	1.9	3.3	2.5		107.7	5.9	7.2	3.9		93.8	3.2	4.4	3.6	4.5	87.3
at qtr.1896	2,1				107.0	5.0	4.8			98.8	2.7	a7	4.3	4.1	87.9
May 1995 June	1,6	n.a.	n.a.	n.a.	105,3	5,5	9.0	23	n.o.	88.6	3.4	4.2	4.5	3.3	87.3
lary	1.8	n.a.	R.B.	na.		5.6	9.2	2.2	ň.a.	89.4	3,5	4.2	4.4	2.8	87.2
	1.5	na.	T.B.	n.a.	105.8	5.6	9.2	3.5	U.S.	89.7	3.5	4,5	4.9	4.1	97.2
Lugust September	1.9 2.0	P.A.	n.a.	n.e.	105.9	. 5.8 5.8	8.0	3.4	n.a.	92.6	3.8	4.4	42	3.1	88.0
October	1.8	. n.e.	n.a.	. г.н. п.н.	107.2	5.8	8.7 7.6	3.9 3.9	na.	94.4	3.9	4.4	3.9	3.3	88.8
Vovember	1.9	n.e.	n.a.	n.a.	108.2	8.0	7.2	3.9 3.9	T.EL	92.7	3.2	4.4	4.0	4.1	87.9
ecember .	21	D.S.	n.a.	n.a.	107.6	5.8	6.5		n.a.	93.6	3.1	4.4	3.7	4,4	87.1
				n.a.	107.4	5.5	5.9	3.9	rLa,	95.2	3.2	4.4	4.1	5.0	86.9
STREET TOOK	20														
	2.0	II,a.	na.					3.2	n.a.	97.3	2.9	3,8	4.0	34	87.4
ebruary	2.0	n.a.	·· R.S.	n.a.	106.8	5.0	4.9	32	T.EL	98.6	2.7	3.8 3.7	4.0 4.8	3,4 4.5	87.4 88.1
January 1996 February March April								3.2			2.9 2.7 2.7 2.4			3.4 4.5 4.2	87.4 88.1 88.3

Statistics for Germany apply only to western Germany, Data supplied by Datastream and WEFA from national government and MIF sources, and by JP Morgan, New York Constantely prices; not seasonally adjusted. Producer prices not seasonally adjusted, US - finished goods, Japan - manufactured goods, Germany - inclusivel products, France - intermediate inclusively. Hourly except Japan (montriely) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany - miles in

Australia readies itself for airports privatisation again

Bidders may soon be able to start up their engines, writes Nikki Tait

Tould-be bovers of Australia's main airthat it is a wonder enthusiasm for the prospective A\$2bn (US\$1.6bu) privatisation has not stalled altogether.

At last, it looks as if bidders may have reason to start their engines again. The new federal government hopes to introduce legislation enabling privatisation to get under way in the present parliamentary session. Just four weeks remain in which to do so: some time over

the next fortnight or, more

probably, during the last two weeks of June before parliament rises for its winter break At stake are the 22 airports owned by the Federal Aviation Corporation. The previous Labor government mooted selling these to private operators three years ago. It won party backing for the move in 1994 provided the properties were sold on a long-leasehold rather

than freehold basis. Labor had planned to conduct the sale in at least two

	RFORMANCE 1995 (A\$m)			
	Revenue		Profit*	Assets
Sydney	192.3		68.7	886.1
Melbourne	107.6	•	62.3	479.4
Brisbane	73.9		43.4	351.5
Adelaide	23.8		8.4	149.6
Perth .	41.3		17.9	186.7
Profit before interest		9	ouros: Federal Aviation C	apartia

parts. First on the enction block would have been the four main centres, Sydney, Melbourne, Perth and Brisbane, which accounted for virtually all the FAC's pre-interest profits in 1994-95. The smaller, less profitable airports would have been sold at a later date.

Labor's efforts to get the first tranche of sales off the ground by 1996 hit a block when the coalition, than in opposition, argued that the sale of Sydney (and a proposed new airport in Sydney'a west) should not proceed until "noise" issues sur-rounding both facilities bad been resolved.

ment's upper house, to block

The coalition used its numbers in the Senate, parlla-

the sale plan. Now it is in government and struggling to balance the federal budget, the coalition is keener to restore the sale process. Details of its legislation have yet to be revealed, but it is widely assumed Sydney-Sydney West will still be omitted from the first tranche of sales.

operation alongside Mel-

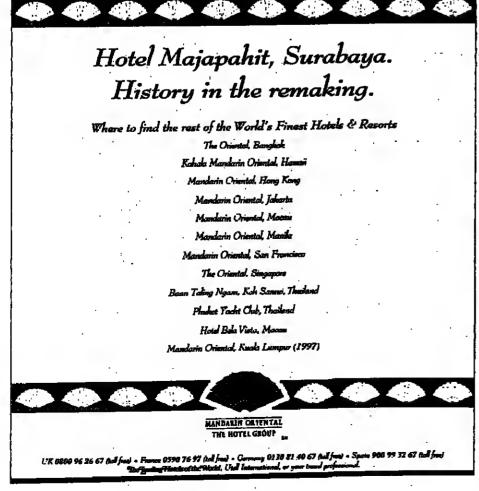
Mr John Sharp, federal trans-port minister, is on record as saying Sydney stays out of the sale equation "until we are sat-isfied we've done as much as we can to alleviate the noise problems". Insteed, the new sale plan could incinde the much smaller Adelaide

(APAC) consortium, formed by Britain's BAA group and two local institutions, the AMP Society and State Super, has made its strategy clear. "We will bid for what's available," says Mr Andrew Jurenko, chief executive. Should Sydney then be auctioned in a few years, APAC will simply lobby to get the cross-ownership restrictions removed at that stage. Even without Sydney, the competition promises to be testing. Schipbol, the Dutch airport operator, is known to have surveyed the four likely sale candidates. At least two other formal consortia have been amounced. One is made up of the Lend Lease financial services group and Brambles, the transportation company. The other teams up Westfield, the Australian property group, with the US-owned Airport Group Australia (formerly Lockheed Air Terminals). A number of other US buyers and Singapore's Changi Airport have also been rumoured to be in the running. Meanwhile, a hint this week from Mr Sharp that the plans to build the Sydney West airport might be scrapped - on the grounds that the cost could

> tal problems remain - has added a further twist. Under a coalition government, the Sydney West project was always going to involve a lengthy and contentious environmental assessment. If that complication is removed, at least one potential airport bidder hoped Sydney could reach the auction block sooner rather

be as much as A\$5bn once associated infrastructure was

added in and yet environmen-



ه يدا من الاعلى



Wahington defends legal thrat to foreign companies

LS accuses allies over Cuba

tankı

The I yesterday defended controversial new galation which provides for legal actic against foreign companies with invesients in Cuba, and accused its allies fundermining Washington's stance agair hostile and dangerous regimes by containg to do business with them.

A 3 official said Washington was ready to wk closely with friendly governments, bilatally and in international forums, on the actical implementation of the Helms-Burn Bill, and would seek to limit the unpt on their busines

Hvever, he strongly rejected accusation that the legislation would weaken the oultilateral trade system, and said oth governments had not done enough to pport tough US measures aimed at regres in countries such as Cuba, Iran

"It is very has for us to explain to the Congress and te American people why our allies thinkhey should conduct business as usual rith these countries," he said. He compined that US allies had eggravated to threat posed by such regimes by reking to join the US in condensation of the condensation of the condensation.

mning themublicly. The official statements were intended to pre-empt aerrage of criticism against the legislatin which governments of other industriised countries are expected to unleash athe annual ministerial meeting of the rganisation for Economic Co-operationand Development today and

Another Uofficial, Mr Jeff Lang, acting deputy trad representative, warned yes-terday that reuments about the legislation must it be allowed to dominate the

"If we argoing to spend the next sev-

eral days in an exercise questioning US commitment to multilateral trade principles, we are not going to get much accom-plished here," he said.

and the second of the second o

The European Union has already asked for World Trade Organisation consultations with the US on the bill – the first step to lodging a possible complaint under WTO trade disputes procedures. Australia and Canada have also denounced the legislation, while Japan has expressed its con-

The US official said the legislation was not intended to damage the interests of America's allies. Lawyers were already working to ensure that one of its provi-sions - which would restrict US entry by executives of foreign companies which "trafficked" in confiscated Cuban assets applied only to companies which invested in new or expanded ectivities on the

A hot property goes cold

Mexican resorts lie uncompleted as property developers lick their wounds after the peso crisis, writes Leslie Crawford

ime-share hawkers on Mexico's Pacific coast will stop at nothing to unsuspecting tourists. fact unsuspecting tourists.

Faced with a slump in property
sales – a casualty of Mexico's
economic crisis – they prowi
the beaches offering free jeep
rentals, deep-sea fishing
cruises and life-long supplies of
tequila to a you hour sales me attend their two-hour sales pre-

At the Embarcadero Pacífico Condominium in Puerto Vallarta, salesmen have upped the stakes by offering "A Free Vacation Anywhere" to those who sign up for their "pre-con-struction sale".

For e mere \$55,000, you can buy a broom-cupboard with car park views in Marina Vallarta, the resort's premier develop-ment. Membership of Vallarta's golf club, unfortunately sited next to the town's rub bish tip, will set you back \$10,000 more. Parking your yacht in the marina will cost you considerably more.

A frenzy of unregulated con-struction, fed by over-ambitious projections of the demand for vacation properties, has produced a glut of half-finished holiday flats, rusted hotel foundations and empty shopping malls along Mexico's Pacific coast. And despite the slump in real estate values across the country, property developers on the coast have refused to lower their prices in the hope that US tourists will step into the market abandoned by Mexico's impoverished middle classes.

The tourist industry should have been a big winner from the devaluation of the peso, but Mexico's blg property developers, which control a large share of the tourism business, are in trouble.

Sidek, the steel and tourism conglomerate, is in the biggest

Sidek is now seeking the

but there are shadows over property developers foreigners who hold \$700m of its debt, for a complicated restructuring plen which includes the sale of \$1bn worth of assets. It is also having to fend off lawsuits from angry bedge funds and bond-holders in New York, who believe foreigners have been given a bad deal in the restructuring plan.

Acapulco, on Mexico's Pacific coast: vacationers lie in the sun,

became heavily indebted in

dollars to build a string of

marinas, golf courses, mam-

moth hotels and other "mega-

projects" at Mexico's top tour-

ist destinations. Sidek's pro-

motional material, issued in

the heydays of the strong peso

and recent membership of the

North American Free Trade

Agreement, boasted that its subsidiary Situr was the "lead-

ing tourism and real estate

developer in Mexico" and "a

pioneer in the development of

mega-projects". It owns 71

hotels in Mexico, more than

23,000 acres of land, and a tour-

pled with a collapse in prop-erty prices, dashed Sidek's

aggressive expansion plans. In

February this year, the com-

pany defaulted on its \$2.1bn

Last year's recession, cou-

ist resort in Costa Rica.

t Sidek's headquarters in Guadalajara, which A in Guadalajara, which towers over the steel mill the Martinez Guitron family built in 1967, Mr Jorge Martinez Guitron, the company chairman, puts a brave face on the virtual liquidation of his 30-year-old company. The devaluation, be says,

was a cruel and unexpected blow. "Our debtors stopped paying us, so we in turn were unable to service our obligations." And with few Mexicans able to afford holiday homes since the peso's collapse, minium sales, once the compa-ny's biggest money spinner, have evaporated.

Mr Martinez Guitron is fight

ing to save his profitable steel business from the clutches of bank bailiffs. "We will have to sell all our marinas, the golf courses, and all but 10 of our hotels," the chairman eavs. But in the present depressed state of the real estate market in Mexico, he cannot guarantee that the auction of Sidek's assets will raise the necessary \$1bn to appease creditors. Sidek's difficulties have also

taught foreign investors a salutary lesson in the pitfalls of doing business in Mexico. They have discovered, belatedly, that the cosy relationship between Mexican banks and big corporations works to the detriment of outsiders in times

Sidek's controversial restructuring plan is being led by Banamex, Mexico's largest bank, which is Sidek's largest creditor as well as a big shareholder in the company. Mr Martinez Guitron, for his part, is a shareholder in Baname and a member of the bank's board of directors. He says he saw no conflict of interest in the cross-holdings, even when Banamex was selling hotels to Sidek and arranging finance for the deals. "All loans had to be approved by the full board of directors," he says in Ban-amer's defence.

Other investors feel less charitable about a business partnership which allowed Sidek's leverage to rise beyond what is considered healthy for a publicly listed company. They are also taking e closer look at Sidek's accounting practices, which frequently overstated revenues by booking the entire sale value of condominiums as soon as a down payment had been received.

When the real extent of Sidek's debt problems emerged last year, the company's shares, which are traded in Mexico City and New York,

collapsed. "The fine print in Sidek's annual reports was easy to overlook when the company's shares were booming and Mexico's economic outlook was rosy," says one sorry foreign fund manager. "In retrospect, we should have been more diligent. We have no one but ourselves to blame."

Nebot ahead ir **Ecuador voting**

left to form allianc. In fact, Mr Rodrigo Paz, to fourth-

placed candidate ofte centre-

left Popular Demoscy party,

which trailed with 5 per cent

of the vote, has ready indi-

cated that he would be likely

automatically trislate into votes for Mr Bucam. Quito's

business and finice commu-

nity which largy supported

Mr Paz's campan, is more

likely to move tone more pre-dictable, pro-buness Nebot

The election esults have

also confirmed to new rising

forces in Ecuadean politics.

One is the agent of populism with Mr Jearam at its

head. Inothergrowing force

stems from ie increasing deman of traitionally mar-

ginalise minoties to partake in politral design-making, as

evidenced in he surge of Mr

Ehlers' grassoots movement

backed y nave Indians, civil

rights coup and the leftist

Izquiera Desocratica party. Despie McEhlers' candidacy

and thee of other indepen-dents rining as outsiders on

anti-esplishment platforms,

to endorse Mr Bucam. Yet Mr Paz's suprt will not

By aymond Colitt in Quito

Th pro-market candidate of the Social Christian party, Mr Jane Nebot, emerged as exected from Sunday'e electics as Ecuador's most likely net president. But his margin ofictory over the populist Mr Alala Bacaram was significatly smaller than suggested hyre-election opinion polls.

s the two began their campgn for the run-off election in J:y, it was clear that the winnr would fall far short of an asolute majority in Congress ad would therefore, like his redecessors, face the difficulty c securing support from e figmented legislature.

According to unofficial cants of over 90 per cent of te votes, Mr Nebot captured early 27.4 per cent of the valid otes, followed by Mr Bucaram ith 25.5 per cent and the indeendent Mr Freddy Ehlers with 19 per cent.

Mr Nebot's party, which curently has 25 deputies in the 2-seat Congress, looked likely o increase slightly this numer. However, Mr Bucaram's loldosista party could also poll A is many as a quarter of the seats in Congress.

. Mr Bucaram, a cunning tacti-clao, has more negotiating remain high.

Uncertainty after Dominican poll

Uncerteinty following Thursday's inconclusive elections in the Dominican Republic is expected to halt investment decisions for several months and is already slowing commercial activity, according to business leaders.

"Elections in the Dominican Republic are traditionally traumatic for the economy, said Mr Fernando González Nicolás, president of the Carib-bean Commercial Consortium, which promotes trade with the Caribbean. "Many business activities have come to a stop, and nothing much will happen until there is a determination as to who will be the next president."

A successor to President Joaquin Balaguer is scheduled to take office in mid-August Preliminary results gave Mr

José Francisco Peña Gómez, the candidate of the social democrat Revolutionary party, 45 per cent of the votes, ahead of Mr Leonel Fernandez of the centrist Liberation party with 38 per cent. Mr Jacinto Peynado of the incumbent conservative Reformist party received 17 per cent. A winner needs at least 50 per cent of the votes, and Mr Peña Gómez

a run-off at the end of June. Foreign observers said there was no evidence of organised fraud, but there were cases of logistical and administrative problems in some provinces. These would not have affected the outcome of the election,

they said. However, political tension has been generated by a clash between supporters of the Revolutionary and Liberation parties in Santiago, the second largest city, in which two peo-ple were killed. The outcome of the run-off

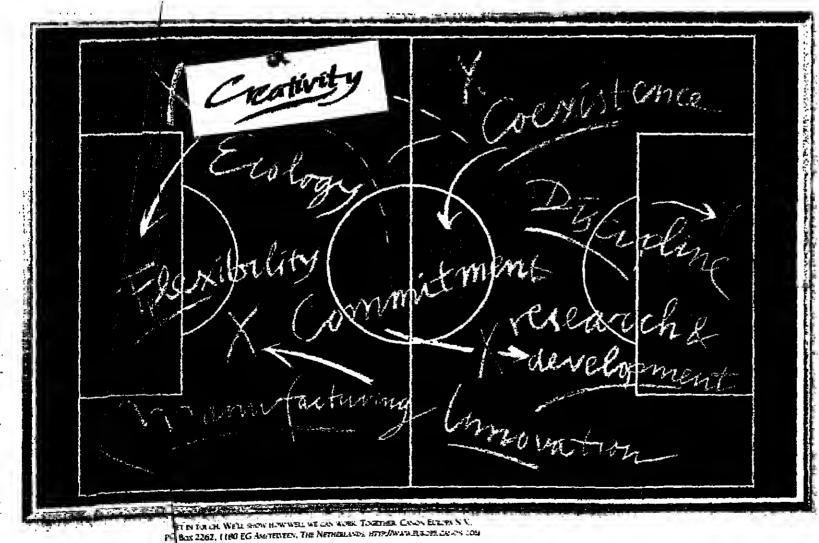
will be determined largely by the votes that went to Mr Peynado. The Reformist party is split on who it should support, following what Mr Peynado's aides described as the "ultimate humiliation" of the candidate by President Balaguer, the party's founder, who has dominated the country's politics for the past 30 years. He did not vote on Thursday, and there are reports that be had suggested to officials that they should vote for Mr Fernandez. However, supporters of Mr

Peynado are upset at Mr Balaguer's treatment of the canditrouble of all. date, and will vote instead for Before the devaluation in Mr Peña Gómez, say Reformist December 1994, the company approval of creditors, including party functionaries.

OUR STRATEGY

ACHIEVING GOALS TAKES A SPECIAL MIX OF SKILLS.

PASSION AND PLANNING. INDIVIDUALISM WITHIN



TEAMWORK. NATURAL FLAIR PERFECTED BY PRACTICE. IT'S ALL PART OF OUR OVERALL APPROACH. TO HELP MAKE MAJOR SPORTING EVENTS LIKE EURO 96 RUN SMOOTHER. YOUR OFFICE TOO. SO ECOLOGY AND EFFICIENCY GO HAND IN HAND. PRODUCTIVITY LEADS TO MORE LEISURE TIME. PLEASURE AND PROFIT SHARE EQUAL RIGHTS. LIFE'S A GAME. AND EVERYONE CAN BE A WINNER. WITH THE RIGHT STRATEGY. OURS. AND YOURS.

SO, TOGETHER, LET'S CARE.

NEWS: WORLD TRADE

Telecoms entrant aims for the middle

By Alan Cane in London

RSL Communications, founded two years ago to supply international telecommun services to the middle tier of business customers, opened for

business in Europe yesterday. The US-based operator announced services in the UK, Sweden and Finland as well as France and Germany where it has purchased the interna-tional voice service and sales operations of Sprint Corporation, the third largest US

nternational carrier.

Sprint was obliged to put its voice communications services in France and Germany up for sale as a condition of being allowed to form Global One, a telecoms supercarrier, with France Telecom and Deutsche Telekom. The price RSLCom paid has not been disclosed, but it is thought that Sprint's venues from voice services in the two countries amounted to only a few million dollars.

RSLCom is chaired by Mr Ronald S. Lander, a former US ambassador and an heir to the Estee Lauder cosmetics fortune. Mr Lauder is chairman of Central European Media Enterprises, a pioneer of private commercial television in central and east Europe.

Mr Lauder said yesterday that both the television and telecoms initiative were a consequence of deregulation. He said RSLCom planned to build a fully integrated global telecoms company through a combination of acquisition and start-up. In the UK, for example, where RSLCom started from scratch.the company had secured an ISR (international simple resale) licence and had

50 customers in eight months . The company's strategy is to aim at middle-sized companies which may be too small to attract the attentions of global super-carriers such as Global One or British Telecommunication's Concert. It could offer tariffs which would typically enable customers to save between 25 per cent and 40 per cent ou, for example, BT and Mercury's prices because of

7

Aero-engine components company has hopes for planned 100-seat aircraft

Rolls-Royce in China joint venture

By Tony Walker in Beijing

Rolls-Royce and Aviation Industries of China (Avic) yesterday announced the formation of a joint aero-engine company to manufacture components for Rolls-Royce jet engines as a step towards building complete units. Investment in the new company would total \$30m.

Rolls-Royce officials say the venture would receive a significant boost if China goes ahead with plans to build 100-seater aircraft in partnership with as companies, including British Aerospace as part of a European consortium. China has said a decision is

close on the 100-seater project. The European consorthum, in which Aërospatiale of France is expected to play a prominent role, is the leading contender in competition with Boeing. The vanture between

Rolls-Royce and the Xian Aero Engine Company will make several items, including turseveral liens, including tur-bine blades for various Rolls-Royce engines such as the BR715, which is being pro-posed for the new 100-seater

The joint venture agreement was announced by Mr Zhu Yuli, president of Avic, and Mr Gordon Gurr, president of Rolls-Royce China, in the pres-ence of Mr Michael Heseltine, Britain's deputy prime minis-



selling mission to China. Mr Gurr said Rolls-Royce had a "vision that one day Avic and Rolls-Royce will design and build a complete new engine together". He said the new venture, which begins operations in 1998, would gradually extend its activities to

engine parts.
"We have a plan that by the ter, who is on a week-long year 2000 China will be respon-

include a wide range of aero

sible for complete :modules," said Mr Gurr. "Once this capability is in place, Rolls-Royce will help the Chinese facilities to build and test complete

Rolls-Royce has a long relationship with the Xian Aero Engine Corporation, located in Shaanxi province, south-west of Beijing. XAE has been manufacturing components for Rolls-Royce

engines since the mid-1970s. Mr Heseltine's mission to sell "UK Plc" to China is taking place in the shadow of a trade row between Beijing and Washington over intellectual property rights abuses. About 270 UK businessmen, including representatives of leading companies, are accompanying Mr Heseltine to Beijing and Shang-

British officials in Beijing

WORLD TRADE NEWS DIGEST

Philips ponders UK chip plant

Paips, the Dutch electronics group, is considering the Use a te for a possible \$1bn-plus semiconductor plant. It is a exprining possible locations in other European countries Uand east Asia. Philips confirmed yesterday it was planing to crease its output of semiconductors. But it said no detion had been taken about where the plant might be b

be group confirmed it was studying a British greenfield sittle Peddimore, north-east of Birmingham. But it said that we also looking at other sites in the UK and elsewhere. Philis has a UK semiconductors plant near Stockport, in Laushire, where it has recently expanded production with £100 (\$152m) investment. Stefan Wagstyl, Loon Korn chipmakers forecast sales dip, Page 20

WTO upholds US petrol ruling

The wild Trade Organisation yesterday adopted the first judgint by its appellate body, upholding a panel ruling again the US on regulations for cleaner petrol. The panel backes complaint by Venezuela and Brazil that the US regulans imposed stricter requirements on imported gasoli than on domestically-produced petrol. Washington must spond within a month on its plans for implementing the judgment. Trade officials said this would be the decisiv test forhe new procedures, introduced when the WTO wa created January 1995. The rules require countries to repo within reasonable period of time". The offending US regulaths are due to lapse in 1998.

Also sterday, the WTO's dispute settlement body set up panel aleashington's request to examine the European Union's n on imports; of hormone-treated beef. The EU has counter-implained against US punitive tariffs on about \$100 of Europa exports, in force since the ban went into effect Frances Williams, Ge

Co-gneration plant for NSW

A consortm of France's Air Liquide, Itochu of Japan and Energy Atralia yesterilay announced plans to build a A\$275m (1220m) co-generation power facility near Botany Bay. It would be the largest plant of this kind in Australia producing th electricity and thermal energy from a single

The constium plans to develop the plant with ICI of the UK, which is a large plastics and chemicals facility at
Botany. The stural gas fired plant would supply ICI and
other local justry with steam and electricity, selling surplus
power to the word wales electricity network.
According ICI, the power plant would produce around 300

tonnes of sten an hour and have electricity output of 350MW The NSW gormment said electricity from the plant would be able to supplaround 350,000 domestic customers or about 5 per cent of thistate's electricity demand. Nikki Tait, Sydnet

Indian SM contract awarded

Lucent Technogie, the former systems and technology business of ATT, his been awarded a \$100m contract to build and maintain gner! systems for mobiles (GSM) cellular telephone netwikin three Indian states by Escotel, a joint venture betweenth Indian Escorts group and First Pacific of Hong Kong. Mr an Nauda, chairman of Escotel Mobile Communications and cellular services should begin within six months in the stes, Kerala in the south and Haryana and Uttar Pradesh (We in the north. Mark Nicholson, New Delhi

Japan plea for supercomputer sale to US

By Michiyo Nakamoto In Tokyo

Japanese government officials yesterday expressed concern over possible moves in the US to block the first Japanese contract to aupply a supercomputer to a US governmentaffiliated organisation.

The Japanese authorities called on the US to exercise fairness and transparency in its government procurement

Mr Tomio Tsutsumi, viceminister of international trade and industry, said the Japanese government's procure-

ment of foreign super-

computers had steadily

increased as a result of trade negotiations. "We bope that the US also adopts fair and transparent procurement pro-cedures," he said. Mr Tsutsumi's comments fol-

lowed mounting pressure in the US to prevent the National Science Foundation (NSF) from awarding NEC, the Japanese computer maker, a contract to supply a supercomputer to the National Centre for Atmospheric Research.

If NEC wins the contract, it would mark a breakthrough for the Japanese company in a market that has long been dominated by US makers. But NEC's success in secur-

gered accusations of dumping from its main US competitor. Cray Research.

A representative of Cray in Japan noted that in past bids NEC had offered products 10 per cent cheaper than a comparable supercomputer made by Cray. "We have always wondered how they could sell at the price they do and still make profits," he said.

NEC said it had been very careful to ensure that its pricing did not constitute dumping. The supercomputer that won the NSF's interest, the SX-4, is outstanding for its. speed and ability to add on

ing the NSF contract has trig- advanced features, the com-

The difficulty NEC has faced in winning the order from the NSF underlines the highly politicised nature of supercomputer procurement by government bodies.

In 1990, after US criticism that the Japanese government's failure to procure USmade supercomputers constituted unfair treatment, Japan produced guidelines on government procurement aimed at making the rules fair and transparent.

Since then, the Japanese government has consistently purchased a number of foreign-

made supercompnters each year, mostly from the US, according to the foreign minis try. In fiscal 1994, five out of 12 supercomputers procured by government organisations were made by foreign companies, while last year two out of 11 were foreign-made.

ent difficulties in Sino-US rela-

tions to affect the Heseltine

mission, although one noted

there were areas such as aero-

space where UK companies

were engaged in intense com-

Mr Heseltine's main focus

will be on pushing UK inter-

ests in aerospace, the power

sector and telecommunica-

GEC-Alsthom is hoping Mr

Heseltine's visit will boost its

prospects. It is bidding for a

large power sector project in Zhejiang province, south of Shanghai.

■ Thyssen Aufzüge, a subsidiary of Germany's Thyssen

stsel group, yesterday announced a \$25m joint ven-

ture with Qinghe Group Corpo-

ration to manufacture eleva-

tors for the fast growing

Chinese elevator market,

The venture, located in

Shandong province, south-east

of Beijing, will be called Shan-

dong Thyssen Elevator. Thyssen Aufzüge will be a 51 per cent shareholder. This will be

the German company's second venture in China. It set up

Guangdong Thyssen Elevator

Company in southern China

last year. With its two ven-

tures, Thyssen aims to capture

10 per cent of the Chinese lift

market by 2000 against compe-

tition from local producers and

Otis, Schindler and Mitsubishi.

writes Tony Walker.

petition with the US.

The US government, on the other hand, has never bought a Japanese supercomputer.

In the past, Japanese makers were not even allowed to bid for government contracts on the grounds that using a foreign supercomputer would pose a threat to defence interests, according to one Japanese

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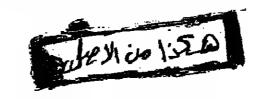
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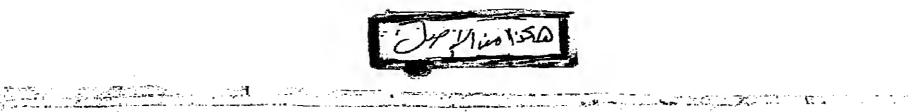
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Tuesday May 21 1996 OTHE FINANCIAL TIMES LIMITED 1996

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IN BRIEF

SBC in investment and retail split

Swiss Bank Corporation is planning a reorganisation that would split its lucrative international private banking and asset management services from its domestic retail banking division.



The chairman of Wella. the troubled German haircare group, promised that last year's 48 per cent profits slide would not be

repeated. First-quarter earnings were above the previous year's and sales had improved 9.2 per cent. April had gone well, Mr Jürg von Craushaar told the FT. "Last year was a little internal accident," he

GE Capital in \$490m computer service buy GE Capital, the financial services arm of General Electric, announced another step into the computer services business with the \$490m acquisition of AmeriData Technologies. Page 19

Nikon triples despite yen's strength Strong demand for semiconductor equipment helped Nikon, the Japanese camera and precision equipment maker, to more than triple non-consolidated recurring profits to Y18.8bn (\$178m) for the year to March in spite of a sharp rise in the yen's value in the first six months. Page 20; South Korean chipmakers scale down sales forecasts, Page 20

Murdoch in move to buy Ansett NZ News Ltd, the Australian arm of Mr Rupert Murdoch's News Corporation group, formally lodged an application to acquire Ansett New Zealand with New Zealand's commerce commission, the country's competition watchdog. Page 20

Cheung Kong to spin off some assets Shares in Cheung Kong rose after Mr Li Ka-shing's property and investment flagship confirmed plans to spin-off some of its Chinese and Hong Kong infrastructure assets and seek a separate listing for them on the Hong Kong stock market. Page 21

Matsushita and Toyota in car battery link Toyota, Japan's largest car maker, and Matsushita, the country's higgest electronics manufacturer. have teamed up to develop batteries for electric cars. Page 21

British Biotech shares climb 6%

Martur.

- C

Shares in British Biotech, the UK's biggest biotechnology company, rose 6 per cent as the London stock market took a bullish view of an announcement today on progress in trials of its cancer drug marimastat. Page 22

Railtrack shares make strong debut Shares in Railtrack leapt sharply on their first day of trading in London - giving the average private shareholder an immediate profit of more than 5100 (\$152) - as investors shrugged off renewed threats from the Labour party to curb their returns and impose tighter regulations on the privatised rail-

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By Michael Skapinker,

British Airways has become the world's most profitable airline, its pre-tax profits in the year to March 31 of £585m (\$889m) easily surpassing the \$769m earned by Singapore Airlines, the previous

profit leader. BA said yesterday its high earnings, which were 29.4 per cent up on the previous year, meant its 55,000 employees would representing just under four weeks' basic pay.

But the union representing the group's pilots responded by calling a strike ballot on BA's latest pay offer. The pilots, who typi-cally earn about £70,000 a year in pay and allowances, will receive profit sharing bonuses of up to £6,000 each.

BA directors would not comment on growing industry speculation that it is about to

receive bonuses totalling £84m, announce a strategic tie-up with American Airlines. We remain alert to potential opportunities in areas where we are not sufficiently represented," Sir Colin Marshall, chairman,

BA tops airline profits league

Such a move would he a response to the newly strength-ened alliance between United Airlines of the US and Lufthansa of Germany.

The US government has indicated that it will not approve

Lights, camera, box office action

such an alliance between BA and American unless the UK offers US airlines greater access to London's Heathrow airport. Negotiations between the two

countries broke down last year when the US rejected a UK offer of greater access to Heathrow as inadequate.

Negotiators from the two sides met in Washington yesterday in what the UK described as "informal contacts to try to see if we can get our sylation relationship

Meanwhile, tha British Airline Pilots' Association said it had called its strike ballot because of dissatisfaction with the group's two-year pay offer.

But Mr Robert Ayling, BA's chief executive, said: "I'm sure individual pilots will consider the offer a reasonable one and the announcement of a ballot today will become history in the not too distant future."

Lex, Page 20; Results Page 22

Rin Tin Tin and Lassie never had it this good

Alice Rawsthorn looks at the rising cost of film making in Hollywood

T hile Europe's film executives bead bome from Cannes after last night's Palme D'Or ceremony, their US counterparts will jet back to Hollywood just in time for the start of the summer movie season.

Summer 1996 has begun well. Twister, an action film directed by Jan Bont, who made the 1994 , Speed, has taken \$100m in its first ten days. Other much publicised debuts are Mission Impossible, starring Tom Cruise, opening tomorrow and The Cable Guy with Jun Carrey, out next month. But behind the star-studded schedules and humper box office takings, Tinsel Town is trapped in vicious cycle of escalating costs described by Mr Jack Val-enti, president of the Motion Picture Association of America (MPAA), as a "huge, hairy beast

slonching toward our future". Costs have spiralled in almost every area of film prodoction including star salaries, studio overheads and marketing. A couple of recent headlines from Variety, the industry magazine, paint a revealing picture. "Hollywood Going Nuis Over Studio Gluis". Will Thinking Big Sink Hollywood?" and "Hollywood Hopping Over High Price Of Hype".

The crux of the matter is that the US studios are making too many movies, too extravagantly. One factor is that new investors have moved into the industry. including Sony, the Japanese electronics group which acquired Columbia Tristar in 1990, to Seagram, the Canadian drinks company that took control of Universal last year. They have poured cash into their acquisitions. Mr Ron Meyer, the former talent agent now in charge of Universal, started by clinching a \$20m three film deal with Sylvester Stallone. Another issue is that the market for movies has expanded significantly. New areas of Asia and Eastern Europe have opened up to Hollywood output, and there are more vehicles to sell films to after their theatrical release in the cahle, satellite and video sectors. Last year was a landmark for Hollywood as the US studios made roughly the same amount of money (around \$2.5hn) outside North America, as they did within it Similarly their video income at home exceeded box office takings for the first time.

The promise of a larger market has prompted the studios to churn out more films. MPAA members made 235 in 1995. against 194 in 1994. With more movies to cast, they have had to fight for talent, thereby inflating star salaries. Hollywood's fury over Sylvester Stallone's \$20m three film deal, paled beside the storm when Sony paid the same sum to Jim Carrey, a relative newcomer, for The Cable Guy. Town's largesse is Barkley, a Jack Russell dog, signed to a two picture deal by MGM/UA.

The studio's own overheads have soared as executives such as Mr Meyer and Mr Mike Ovitz, his former colleague who is now president of Walt Disney, have clinched seven figure salaries. Mr Ovitz reportedly has eight per-sonal assistants. The number of people employed by the entertainment industry in Los Angeles County rose from 53,200 in 1988 to 111.600 last year.

Walt Disruly 1,013 Buena Vista Warner Bros Time Warner 867 683 Columbia/TriStar Sony Universal Seegram 863 Viacom 531 20th Century Fox News Corp 421 Time Warner New Line 347 . MGM/UA CDR 333 as Scarlet Letter and Cutthroat

them, triggering a steep increase rose 39 per cent to \$1.9bn in 1995. Disney reportedly spent \$21m promoting Nixon, which only took \$14m in North America.

The studios have been taking steps to curh the increase in costs. Many are shooting films in Europe, where labour costs are lower than in Hollywood. Warner has joined forces with MAL the UK media group, to build a new production lot in Middlesex, and Disney is said to be considering opening a UK lot.

Similarly studios are offsetting their promotional costs hy

At the same time the plethora liaising with companies from of new films has intensified the competition for screens to show publicise a film in their advertising in return for merchandising in promotional expenditure. Vari- and product placement rights. ety estimates media spending MGM/UA raised \$50m of the \$70m nEye, the latest James Bond movie, through such deals, including \$15m from BMW cars.

PepsiCo, the US food and drink group, last week signed an agreement worth up to \$2bn in terms of product sales and advertising with LucasFilms, the company behind the Star Wars series. Disnev is believed to be discussing a similar \$2bn agreement with the McDonald's fast food chain. However the flow of expensive

films shows no sign of stopping. Even after expensive flops such

Island, at least seven films due for release next year are expected to cost around \$100m. Despite spiralling costs and

dwindling profitability, new investors are still eager to enter the industry. The auction of MGM/UA has already attracted hlds from PolyGram, the Dutch music group; Morgan Creek, a US film company; and a consortium composed of the New Regency film concern, Warner and Samsung, the South Korean electronics group

These hidders are now beginning due diligence to decide whether to proceed with their offers for the studio and, of course, for Barkley, the world's highest paid dog.

Ansaldo Trasporti and CS in signals link

By Andrew Hill in Milan

Ansaldo Trasporti of Italy and Compagnie des Signaux (CS) of France are to group their rail-way signalling activities into one company, creating the biggest manufacturer in the sector after

Siemens of Germany.
Finmeccanica, tha Italian state-controlled engineering group which controls Ansaldo Trasporti, said the new grouping would bave a turnover of more than \$450m annually, and its shares would be listed on the Nasdaq exchange in New York.

According to Finmeccanica, the enlarged group will have a 14 per cent sbare of the \$3.5bn world signalling equipment mar-ket, ahead of Alcatel of France and BTR of the UK.

It is not yet clear whether the signalling activities will be absorbed into a new holding company or whether Union Switch & Signal, Ansaldo Trasporti's quoted US signalling subsidiary, will be the vehicle for the operation.

Ansaldo Trasporti is to acquire 51 per cent of Compagnie des Signaux Transport (CST), the CS signalling subsidiary in which it already has a 49 per cent stake. The 51 per cent holding is valued at about FFr400m (\$77.3m). CS will have a minority stake in the enlarged signalling company. Ansaldo Trasporti, shares in which are quoted in Milan, said the operation would not increase its net debt.

As well as Union Switch & Signal and its Anstralian subsidiary, Ansaldo Trasporti will contribute its Swedish and Irish operations. CS, which is quoted in Paris, will probably own about 10 per cent of the enlarged group, 20 per cent will be floated and the rest will belong to Ansaldo Trasportl. Lehman Brothers of the US advised Ansaldo Trasporti on the deal

Ansaldo Trasporti said yesterday that the operation would give it the capacity to operate safety and technical standards for signalling equipment. It would also be able to cut its research and development and marketing costs.

Union Switch & Signal, CST and Ansaldo Trasporti have occasionally competed with one another for contracts in Asia and the middle east, although earlier this year, Unlon Switch & Signal and Ansaldo Trasporti won an order from China for a signalling and antomation system on the Beijing-Kowloon line.

IBM unveils plan to lead 'network computer' field

By Louise Kehoe in San Francisco

International Business Machines aims to become one of the first and largest producers of "network computers", a new type of low-cost device that can be used to surf the Internet or link to corporate networks. As a consortium of more than

50 high technology companies met in San Francisco yesterday to announce technical specifications for network computers, IBM said it was planning to introduce a broad range of NC products and services later this year. The company has six NC pro-

jects under way, with large customers in the automotive, airline and banking industries. said Mr John Thompson, IBM senior

vice-president. The products, at least as, if not more, important costing \$500-\$1,000, will he as the device itself." designed for specific industry applications.

The NC industry consortium is led by Oracle, the largest database software company, and includes Sun Microsystems, Apple Computer and Netscape Communications, and a number of other manufacturers, component suppliers and distributors. IBM vesterday demonstrated several prototype NCs. The company also plans to provide components and software to other

The devices are just the tip of the iceberg," said Mr Phil Hester, general manager of IBM's integrated solutions division. "There is an entire set of technologies and services behind this that are

IBM sees the NC as a means of lowering the "total cost of ownership" of a desktop computer. rather than just the purchase price of the machine itself, said Mr Hester. Administration, upgrades, software and security for PCs linked to corporate networks cost about \$12,000 a year many times the cost of the computer itself - be said. "NCs will be very attractive to husinesses because they can lower these costs by as much as 25 per cent,"

"We think NCs could take off like wildfire," said Mr Marc Andreessen, co-founder of Netscape Communications. "This will he a major driver of Internet

Cost cuts help Sumitomo rise 66% in slack market

By William Dawkins in Tokyo

Sumitomo Chemical. Japan's largest producer of fine chemicals and agrochemicals, yesterday said it had substantially increased annual profits in a stagnant market as a result of

cost-cutting. Consolidated recurring profits - before tax and extraordinary items - rose 66 per cent to 129.6bn (\$278.16m; in the year to March, from Y17.8bn in the 12 months to December 1994, the previous accounting period. Group sales fell by 27 per cent to Y951.9bn over the same

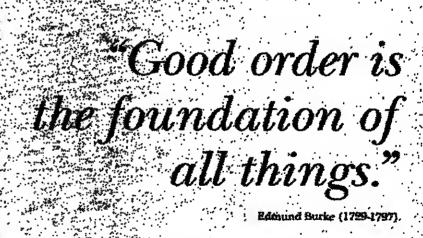
period. Last year, Sumitomo switched the end of its accounting period from December to March to fall into line with most other Japanese quoted companies.

Like many Japanese companies, Sumitomo sought to avoid downsizing during the recession. Instead, it cut costs by Y18hn in the past year through a combination of reduced capital spending. higher dependence on cheap imported materials and stream lined distribution.

By division, sales of basic chemicals and petrochemicals which between them make up nearly three quarters of sales grew ? per cent. But sales of speciality chemicals, one fifth of the total, declined by 11 per cent. Other products, including agricultural chemicals, recorded a 3.4 per cent decline in sales. Foreign sales grew by 20.7 per cent. east Asia for polyolefins, used for making artificial fibres.

Group profits were also helped by a substantial cut in interest payments, down by Y2.7hn to Y25.1bn, as a result of falling Japment of debt. At parent company level, exclu-

ding contributions from mainly foreign subsidiaries and affiliates, recurring profits soared from Y1.9hn to Y21,29hn on sales up 3.5 per cent to Y579.8bn. Sumitomo expects a less dramatio improvement in the current year to next March, for which it is forecasting a 27 per cent rise in unconsolidated recurring profits to Y27bn on sales up by less than



Hambros advised the UK Government on the first major step in the privatisation of British Rail - the creation and sale of the three passenger rolling stock leasing companies, to realise total proceeds of £2.62 billion.



Hambros Bank Limited, 41 Tower Hill, London EC3N 4HA; regulated by SFA.

SBC to split investment and retail roles

By George Graham, **Banking Correspondent**

Swiss Bank Corporation is planning a reorganisation that would split its lucrative international private banking and asset management services from its domestic retail bank-

Directors meeting today are expected to approve a plan agreed yesterday by SBC's executive management board to set up private asset management as one of four main operating divisions, alongside

By Paul Abrahams

Walla, the troubled German

baircare group, yesterday promised that earnings would

recover after last year's col-

labse. First-quarter earnings

were above the previous year's,

and sales had improved 9.2 per

cent. April had gone well, Mr

Jürg von Craushaar, chairman,

Last year, the Darmstadt-

based group's earnings per share fell 48 per csnt from

DM54 to DM26, after being hit

by weak markets, the D-Mark's

strength and a botched reor-

ganisation. The then chairman Mr Peter Zuhlsdorff was

Mr von Craushaar admitted:

"Our difficulties last year were

partly because of weak mar-

kets. But the damage was also

in-house and self-inflicted. Our

acquisition strategy had let us

replaced last September.

domestic banking, institutional fund management and investment banking.

SBC has taken the lead among the large Swiss banks in actively marketing its international private banking operations, and in expanding through acquisitions such as that of Standard Chartered's private banking division and the takeover of a portfolio of clients from Chase Manhattan

Private Bank. Although it does not publish figures for funds under management, SBC is estimated to

Wella chief puts last year's

profits collapse behind him

neglect our core brands.
"Last year was a little inter-

nal accident," said Mr von Craushaar. "The board's deci-

sion to maintain the dividend

at DM14 per preference share demonstrates its conviction it

was a one-off and will not hap-

problems had been eliminated.

be said. The D-Mark, which

wreaked such havoc, had been

neutral during the first quar-

ter The yen's depreciation had

been offset by the appreciation

UK operations were expected

to move back into profit this

year, thanks to the launch of

"Experience", a premium range. In China, a management

reorganisation should allow

the business to break even, but

the Russian business would

only reach profitability in 1998.

The manufacturing reorganisa-

of other currencies.

The sources of last year's

pen again."

run at least SFr250bn (\$199.8bn) of clients' money. Banking industry consul-tants say Swiss banks have in recent years taken steps to improve the segmentation of their customer bases, so that

their wealthiest and most

profitable clients do not end up

subsidising high levels of

service for less profitable

customers. Many of SBC's asset management customers are international, but the private investor and asset management business is now anomalously

tion, which had caused product

shortages and costly outsourcing, was 90 per cent completed, said Mr von Craushaar.

Sales of professional haircare products had risen 10 per cent in the first quarter, driven by a

strong performance from retail

haircare, up 22 per cent. But

sales of scents and cosmetics

declined 2.7 per cent. This was blamed on the launch of new

products whose ahipment had

not yet been booked.
In Asia-Pacific, sales had

climbed 33.9 per cent, helped

by a 30 per cent rise in turn-

over in China, "That was from

a low base and can't be repeated," Mr von Craushaar

said. The company had set a

target of lifting annual sales by

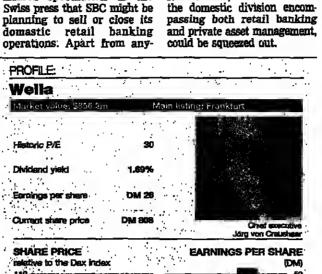
average 3 per cent in the com-

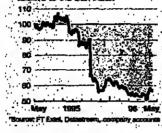
grouped in the same structure as domestic retail banking. finding a buyer willing to enter Switzerland's heavily over-With the acquisition in 1994 of Brinson Partners, a US fund banked market is slim.

manager. SBC has also expanded its institutional asset management business. This is grouped with investment banking in SBC's international division, but some analysts expect it, too, to be separated.

London banking analysis dismissed speculation in the

But the reorganisation could lead to some upheaval among SBC's top executives. While Mr Gary Brinson is expected to move up the ladder as head of the institutional asset management division, there has been speculation in Basie that Mr Roland Rasi, who now heads the domestic division encom-





wanted Wella to grow in its core haircare segment. "Of course we want to looking to set up joint ventures said.

also interested in an acquisition in the US retail market,

Wella Historic P/E Earnings per shere Current share price SHARE PRICE

between 2 and 4 per cent above market growth, expected to Mr von Craushaar said he

in China and India, and we're expand organically. But we're although not just yet," be

Svedala steps up bidding contest for Tampella

By Hugh Carnegy in Stockholm

Svedala, the Swedish mining and construction equipment maker, yesterday stepped up lts bld to acquire Finnish rival Tampella, claiming a merger of the two would produce more than SKr250m (\$37m) a year in synergy benefits and create a world leader in the sector.

In a cheeky attempt to outflank Sandvik, the Swedish tools and specialty steelmaker expected to retain.

Svedala yesterday formally made its FM1.4bn (\$297.9m) cash-or-shares offer for Tampella, conditional on it winning 51 per cent of the stock. Sandvik last month bought a 26 per cent share in Tampella from

yesterday to close at FM10.40 st below the FM10.50-a-share

Tampella,

FM77m.

Svedala, which returned pretax profits last year of SKr736m, said it estimated savings in administrative and marketing costs, plus increased volumes and more efficient financial management would yield synergy benefits

Crédit **NEWS DIGEST**

By Andrew Jack in Paris

Shareholders of one of the

most important subsidiaries of

Credit Foncier de France, the

troubled property lender, plan

a series of critical questions at

the company's annual general meeting, scheduled for tomor-

Ms Colette Neuville, head of

Adam, the association for the

defence of minority sharehold-

ers, submitted a series of ques-tions last week to the directors of Société des Immembles de

France, which is 55 per cent

expressing concerns shared by a number of French and inter-

national institutional inves-

tors seeking to preserve their investments' value.

She wants details oo bow

many directors of the company

live in apartments owned by

the group; what rent they pay; and with whose approval such agreements were made. "It's

time French companies

worked in the interests of

shareholders," she said. Ms Neuville also wants clari-

fication on the practice by

which Crédit Foncier and

other large French property owners exchanged buildings

as a device to generate trans-

actions and maintain the value

She bas already criticised

estimates of the value of the

assets of the group, provided late last year by Banque Indo-

suez ahead of a proposed merger of Société des Immeu-bles de France and Crédit Fon-cier, at more than FFr305 a

These now appear meaning-

less, after Crédit Foncier

announced losses at the end of April of FFr10.8bn (\$2.1bn) after provisions of FFr13.6bn,

and proposed to all but wipe

out its share capital in order

The latest move is one of a

series triggered by frustration

from investors in Credit Fon-

cier and its subsidiaries about

the latest actions of manage-

ment. They want additional

government support to bolster

to remain solvent.

of their real estate.

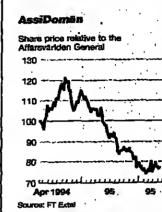
owned by Crédit Foncier. She plans to demand answers to the questions at the meeting on Wednesday.

Foncier arm France sets retail faces revolt price for AGF sale by investors

The French government last night announced a retail investor privatisation price of FFr128 a share for Assurances Générales de France, the insurance group. It also said it would offer for sale more of its 57 per cent stake than previously planned. reducing its own holding to less than 5 per cent of the total, and possibly to none. It had originally said it would sell at least a 45 per cent stake.

The public offer opens today and lasts until May 29. The details came as it emerged that pre-placements by institutional investors outnumbered the number of shares allocated to them more than three times over. About two-thirds of the demand came from foreign institutions, and one-third from French. A price for the institutional tranche expected to be slightly above the price to individuals - should be published at the end of the month. Andrew Jack, Paris

AssiDomän falls 23% in quarter



The gloom pervading the Scandinavian forestry industry was reinforced yesterday when AssiDoman, the Swedish pulp and paper group, reported a 23 per cent fall in first-quarter profits. Pre-tax profits dropped from (\$122.8m) as plummeting prices and a stronger krona eroded performance. Discounting a SKr403m capital gain from property disposals, the figures were about SKr150m below 95 analysts' forecasts. AssiDoman's shares closed down SKr1 at SKr158. Mr

 $: [\cdot]_{\cdot}$

Lennart Ahlgren, chief executive, believed the downturn had bottomed and was "cautiously optimistic" of improved fortunes in coming months. It was too early to judge whether announced price increases in pulp and kraftliner (a key component of corrugated board) would hold.

"We see some weak signs of improvement in sawn goods and that has traditionally been the signal of recovery," he said, but stressed events were still uncertain. Mr Ahlgren said the group's figures had been hit by a slump in pulp prices. Production cutbacks to match lower demand, and reductions in output caused by plant investment had also taken a toll. Sales were almost flat at SKr5.42bn against SKr5.37bn, and earnings per share declined from SKr6.6 to SKr5.2.

Paris bourse may open longer

The French stock exchange is considering a radical extension of its opening bours, from as early as 8.30am to as late as 9pm in an effort to boost its attractiveness. The Société des Bourses Françaises, operator of the Paris market, confirmed it recently set up a working group to study longer opening bours from the existing 10am to 5pm.

The extended hours would allow individual investors more time to buy and sell shares outside working bours, increase the overlap in trading times with New York, and provide Paris with an advantage over its European rivals. The talks are expected to be concluded during the autumn. The bourse stressed yesterday they remained preliminary.

holds 25 per cent of Tamrock. subsidiary Tamrock as "an Tampella shares rose FM0.40 Tampella stake with other shareholders.

which is also wooing Tampella, Svedala also said it regarded the existing co-operation between Sandvik and Tampella important element" which it

Norway's Kvaerner for

‡ Elektrim

Elektrim S.A.

SKr500m, and said it was considering acquiring a majority staka in the company. It also

cash offer from Svedala. Mr Jouko Jaakola, Tampella chief executive, said yesterday the board would announce its position on the Svedala bid "in due course". He said the company was, meanwhile, in contact with other "interested parties", but did not elaborate. Sandvik last night repeated that the company was discussing its interest in increasing its

meanwbile, announced it had swung from a loss of FM29m in the first four months of 1995 to a profit of FM67m in the same period this year. However, the figures were distorted by the sale of its power division to Kvaerner earlier this year. Excluding the

rose from FM991m in the first four months last year to FM1.45bn, while operating profits were up from FM67m to

"in excess of SKr250m" a year.

This announcement appears as a matter of record only

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Eurodollar Term Facility

has founded an international consortium with Arrangers -US West and DeTeMobil Al Bank Al Saudi Al Fransi The Arab Investment Company, S.A.A. (TAIC)

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Participants Abu Dhabi Commercial Bank Bayerische Vereinsbank Aktiengesellschaft Credit Industriel et Commercial Paris Branch

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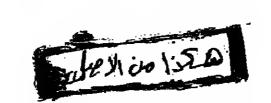
The Sumitomo Bank, Limited

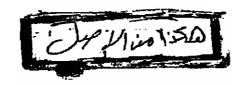
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COMPANIES AND FINANCE: THE AMERICAS

and the state of t

for \$490m

By Richard Waters in New York

GE Capital, the financial services arm of General Elec-tric, yesterday announced another step into the computer aervices business with the \$490m acquisition of Ameri-Data Technologies.

The purchase will give GE Capital a bigger presence in the business of setting up and maintaining desk-top computers and networks, a worldwide market that the company estimates to be worth \$80bn a year. The move follows other similar GE acquisitions in Canada and Australia, and will bring a stronger presence in

AmeriData, formerly known as Sage Technologies, sells, installs and services both the hardware and software for network systems. Its revenues have climbed from \$1m in 1991 to \$1.5bn last year. Due in part to acquisitions late last year, AmeriData's revenues outside the US this year will reach \$250m-\$300m, said Mr Mike Ford, chief executiva of GE Capital Technology Management Services.

GE Capital's presence in the information technology industry is founded on its computer

leasing activities. With the addition of Ameri-Data, it said it would be able to handle all aspects of acquiring and running a computer network in the US, from procuring the equipment to running a help desk and keeping track of

the hardware.

tal's developmes in other equipment leasing markets, where it has usefts foothold as a financier o build a broader services usiness. Of the diversificatio away from pura finance, M Ford said:
"The services tat we wrap around the financy are what adds value for the customer," and will reinfor the profitability of this business in ability of this pusiness in

future. The acquisitionless suggests that GE Capital, hich has ridden the rapid pwth of the financial servies industry over the past dada, believes much of its first arouth will much of its futue growth will come from proving a wider range of service

The desk-top svices market is set to grow amore than 20 per cent a year r the foreseeable future, Mr and said. This fragmented bussess is divided at the momer betwaen a range of specialt service companies, the big ardware sup-pliers, and IT cisulting firms such as Electric Data Ser-

GE Capital'a listing IT services business merated revenues of \$1.3bn in 1995, \$650m of which came om Canada, where it made to acquisitions in 1993 and 19. Earlier this year, it bought erntree Computer, an Austrian company with revenues hich Mr Ford put at \$150m.

Overall, GE apital made after-tax profits \$2.4bn last year, making ithe US's third most profitable inancial services company. Only Citicorp and American international The move echoes GE Capi- Group earned are.

- GE Capital buys Brazil turns to Light to revitalise privatisation AmeriData Tech The much-delayed sale of Rio's electricity group is finally coming to market, reports Jonathan Wheatley

Brazil's troubled privati-sation programme is due to resume today with the offer of 60 per cent of Light, Rio de Janeiro'a electricity company. The sale, the big-gest yet attempted in Brazil, would value Light at a mini-mum of R\$3.72hn (\$3.73hn). If successful, it could revital-

ise the programme, help other Brazilian states with their own sell-offs and offer new hope for a speedy sale of mining giant Companhia Vale do Rio Doce, expected early next year.
Light's sale has attracted

interest from foreign electricity groups such as Electricité de France, Chilectra of Chila and Houston Industries of the US but the run-up to today's auction on the Rio de Janeiro exchange has been far from smooth. Originally scheduled for March 13, it has been postponed twice and a third delay cannot be ruled out before the auction starts at 10am local time. Potential buyers say the price is too high and a series of

"It is very important for Brazil to show international investors that it is capable of running a wall-managed privatisation programme," said Mr Moises Pinsky, financial director of Brazilian steelmaker CSN, one of Light's biggest customers and a potential bid-dar. "But a lot of questions remain to be answered about this sale."

Light's privatisation was first delayed in January following a cut in the rate of corporation tax. Rescheduled for April 18, it was postponed again when investors said they needed mora time to raise funds. At the same time, the government tried to attract more interest by allowing buyers to use so-called privatisation bonds instead of cash for up to 30 per cent of the value of shares sold. These bonds offer buyers an

advantage because they are accepted in privatisation sales at face value, although they trade on capital markets at big

problems remain t	mesorveu.	450	Junio. X	ne oo per	COLL C
Let there be Li	ght				
	1991	1992	1993	1994	1995
Customers (000s)	2,598	2,617	2,658	2,689	2,70
Energy sold (gwh)	19,141	19,282	19,486	19,896	10,74
Employees	13,612	11,527	12,654	12,460	11,96
*Jan-June				80	LIVE BUDE

Light's shares the government hopes to sell today would raise R\$2.4bn in cash. Using the bonds, investors would be able to buy control (50 per cent plus one share) for around R\$1.6bn. A dispute over the bonds last

ek threatened to delay the sale again. Two Brazilian engineering companies gained a court ruling allow them to use their bonda without limit in the Light sale. Despite government pressure, the supreme court refused to overrule the decision. Ministers met last week to consider postponing the sale, but then insisted it would go ahead.

Other complications have been caused by court actions brought against Light by its employees and some customers. The employees say they are entitled to pay awards to compensate for past inflation; customers are suing for refunda based on tariff increases introduced 10 years ago, when Brazilian prices were frozen by law. The BNDES, the national development bank which is responsible for the privatisation programme, says the disputes are reflected in the sale price and accounted for by contingencies of around R\$70m. Buyers say the potential liabilities are much higher; estimates range from R\$400m to R\$1bn.

Brazil's electricity sector as a whole has suffered from under

The lights at Rio at night

The liabilities may or may not be as serious as people are saying," said one potential bid-der. "But the fact that there is so much uncertainty is typical of the incompetence of the privatisation programme in general The BNDES insists on set-ting higher and higher prices instead of setting reasonable prices to attract more buyers."

Other observers say investors are complaining in the hope of gaining another price cut. The potential bidder qnoted above says his company would certainly take part in the anction if conditions were right, and might do so even as things stand.

"Light is a reasonable company," he says. "It has no prob-lems that wouldn't be solved by investing R\$400m to R\$500m in the next two or three years."

investment in the past 15 years. But Light, which has some generating capacity but concentrates mainly on distribution, has clear potential for investors prepared to bring it

up to scratch. It has 9 per cent of Brazil's market and sells 20,000 gigawatt hours of electricity a year to 2.7m customers. Industrial customers account for 40 per cent of sales.

"It definitely has strategic interest for companies like Chi-lectra and EDF," says Ana Cequeira, an analyst at investment bank lcatu. "It's no bargain, but the price isn't far from being reasonable."

Light's share price see-sawed last week on rumours of a further postponement, and its

market value swung between R\$3.2bn and R\$3.43bn. Yester-

day it stood at R\$3.43bn Analysts expect foreign investors to join Brazilian consortia to form one bidder to buy control of Light for the minimum price.

One likely local player is Iven, a consortium of financial institutions formed by Bozano Simonsen, Icatu, Opportunity, Pactual, Fundação Centrus, Perez Companc, Citibank and BNI, which paid R\$358m for control of another electricity company, Escalsa, privatised last July.

Another is GTD, a consortium of Brazilian pension funds. Steelmaker CSN is understood to have formed a third consortium with textiles group Vicunha and Brazilian banks Bradesco and Safra.

Toys 'R' Us stages first-quarter raly

By Richard Tomkins in New York

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Toys "R" Us, the US toy store group, yesterday showed signs of ending a year-long slump in earnings by reporting a small increase in profits for the first onarter. Net income edged ahead from \$18.4m to \$18.7m, although earnings per share

Sales rose 10 per cent to \$1.60n, and in the US, sales at stores that had been open a war or more rose by 7 rose. year or more rose by 7 per cent. Profits moved ahead only slightly because much of the sales growth came from video hardware products, which carry low margins, and because interest charges were pushed up by the company's

In its fiscal yer to March 2, Toys "R" Us stered a slump in profits from 109m to \$93m. partly becaus of a \$270m

restructuring cirge.
The company blamed tough competition from other discount retairs and the absence of any hot" new toy products such the previous year's Power Ragers.

Yesterday Tos "R" Us said the first of a ain of Babies "R" Us stores ind two Toys
"R" Us KidsWcd superstores,
which comble all the
company's foreits under one roof

Openings we expected to total about 45 pres in the US and 55 internatually.

NEWS DIGEST

CBoT, Taiwan SE in options move

The world's two largest futures exchanges are delling over rights to the fledgling Taiwanese derivatives miket. Yesterday the Chicago Board of Trade said it hasigned an agreement with the Taiwan Stock Exchange to eate a new futures and options exchange in Taiwan. This flowed an announcement on Friday by the Chicago Mercaile Exchange when it said it was seeking regulatory approval trade futures and options on a newly created index of Taiwanese stocks on its trading floor in Chicago and on its lobex after-hours electronic trading system.

Both Chicago exchanges hope to benefit from recently-liberalised regulations in Taiwan, when futures and options are not traded.

"We're seeing tremendous demand internationly for "We're seeing tremendous demand international for Taiwan financial products, and the recent liberasation of financial laws has made this market even more tractive to investors and hedgers worldwide," said Mr Jackandner, CMR chairman. Taiwan's stock market is the eighth regest in the world, and the fourth most actively traded.

The CME has begun a new division in Chicagto trade emerging market products, and plans to add the awan 100 equity index to this complex. The CBoT, in contast, prefers to enter into joint ventures in emerging market contries to develop domestic exchanges.

RBC seeks rules relaxaton

Mr John Cleghorn, chairman of the Royal Bankf Canada, the Mr John Cleghorn, chairman of the Royal Bankf Canada, the country's largest bank, has stepped up pressuren the federal government to relax the 10 per cent maximum whership rule for Canada's domestic banks and to allow foreis owned banks more freedom to compete. In return the Canadii banks want the freedom to merge into larger units, to belp em compete with large global banks. Mr Cleghorn predicts de or more mergers among Canada'a Big Six banks in the lar future if the rules are relaxed. The Bank Act is due for trision next year.

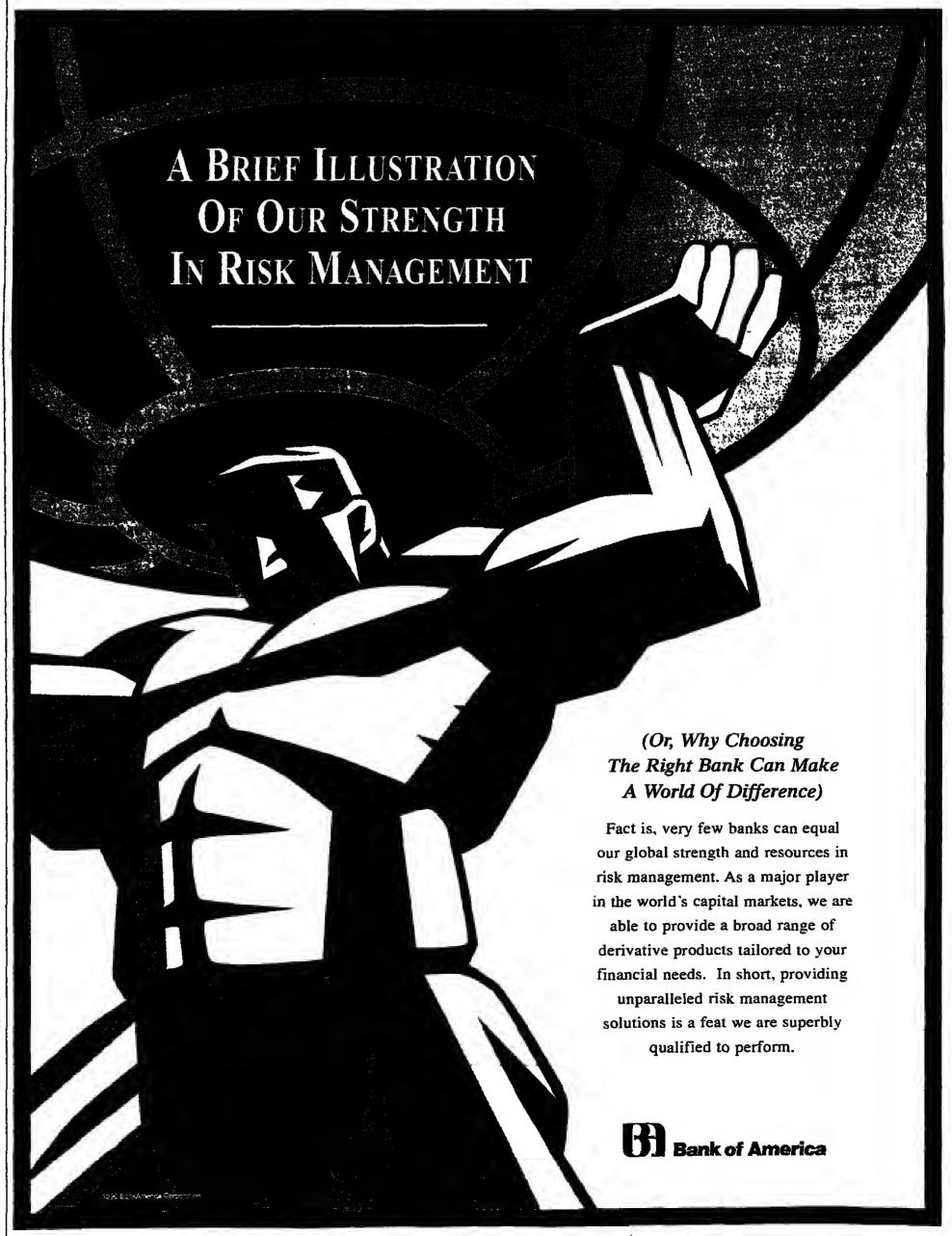
Canadian banks are also trying to obtain the ght to sell insurance products through their branches.

Onex starts year in red

Onex, Canada's leading leveraged buy-out specifist, posted a first-quarter operating loss of CS3m (US\$2.18m) ecause of restructuring costs following the 1995 acquisition of Caterair international of the US for C\$700m and another is acquisition

These deals pushed first-quarter revenues to \$2bn from C\$970m a year earlier, and final net profit afterpecial items was CS2.1m against CS25.7m.

Founder and chief shareholder Mr Gerald Schartz said restructuring costs would affect Onex's perforance through 1996. Onex's subsidiaries are primarily in the a catering and Robert Gibbens car components business.



UNION BANCAIRE PRIVÉE

GENÈVE

Positive results in 1995

- Net profit up +11%
- Further increase in market share
- The key figures for 1995 are very favourable: consolidated profit, net return on equity and cash flow are all up, while operating expenses have been reduced.

1995	1994	change in %
153.9	138.7	+11%
17.8%	17.3%	+3%
219.5	218.7	+0.4%
153.2	159.3	-4%
	153.9 17.8% 219.5	153.9 138.7 17.8% 17.3% 219.5 218.7

- At the end of 1995, the shareholders' equity amounted to CHF 1.2 billion, an increase of 10.2% over the previous year.
- The Bank continued to expand its market share, in particular through the acquisition of Nordfinanz Bank Zurich, which was completed at the end of November 1995.
- The outlook for 1996 and beyond is encouraging: continued investment in top-notch personnel, coupled with a strengthening of the Bank's presence across the globe's major continents, should result in continued expansion.

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Payment of Dividend Royal Ahold

The Corporate Executive Board of Royal Ahold would like to announce that, at the General Meeting of Stockholders held on May 14, 1996, the dividend for the 1995 financial year was set at NLG 0.89 and US\$ 0.36 per ordinary share of NLG 1.25 nominal value. Of this amount, NLG 0.24 and US\$ 0.11 was already made available as an interim dividend on

The remaining dividend of NLG 0.65 and US\$ 0.25 can be made available to shareholders either as o cash payment for the full amount or as 2%, i.e. NLG 0.025 nominal value, in ordinary shares from the tax-free additional paid-in capital. These shares hold entitlement to payment of dividend over the 1996 financial year and subsequent financial years.

In connection with the above, dividend coupon number 5 is payable as of May 24, 1996 at the ABN AMRO Bank N.V., Herengracht 595 in Amsterdam, and Zaandam, The Netherlands, as well as at the ING Bank N.V. and MeesPierson N.V. in Amsterdam for NLG 0.8096 per share, being NLG 0.65 increased by the exchange value of US\$ 0.25, and after deduction of 25% dividend tax. The dividend in USS has been converted against the interbank exchange rate of May 14, 1996.

If stockholders opt for payment in stock as described above, then one ordinary share (with dividend coupon number 6 and following and voucher), entitled to payment of dividend over the 1996 financial year and following financial years, will be awarded against submission of dividend coupons number 5 for each set of 50 ordinary shares.

Should any dividend coupons number 5 still be outstanding after June 28, 1996, then the unclaimed shares accredited to the outstanding shares will be sold and the receipts shall be held in trust pro rata parte for the holders of as yet unsubmitted dividend coupous.

Commission, in compliance with circular 90-56, will be paid to business members of the Amsterdam Stock Exchange Association related to the exchange of dividend coupon number 5 in shares, so that said exchange can occur free of commission for the holders of these shares. Surrender commission may be charged to those who request their banking institution to send or surrender values in relation to this exchange.

For the holders of shares for which a CF document has been issued, the dividend will be paid out in cash or payment will be made in ordinary stock through the mediation of the depository at whose office the sheets were being kept in deposit at the time the office closed on May 14, 1996. If dividend coupons are submitted by a bank or broker, these toust have a company stamp on the back.

Zaundam, The Netherlands, May 15, 1996

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R.C. 8 50211 CONVENING NOTICE

ORDINARY MEETING

AGENDA

Only, the Shareholders registered in the Shareholders Register on May 1, 1996, will be

if Shareholders are tmable to attend, they could participate by Power of Attorney. This Power must be received by the Company nol later than

THE BOARD OF DIRECTORS

of the Company, which will be hold at the head office, on May 29, 1996 at 11.00 a.m.

wened hereby to attend the

Approval of the arrival accounts as at December 31, 1995.

3. Discharge to the Directors and Statutory Audi

authorised to participate at this Meeting.

ns at the Meeting of Sh

4. Re-election of the Directors and Statutory Auditor

5 days prior to the Meeting, at the following address:

The second secon

of the Southery Auditor.

The Korea Gold Gate Pund

PO Box 736, L-2017 Luxer



Royal Ahold, Albert Heijnweg I, 1507 EH Zaandam, The Netherlands

Raiffeisen Zentralbank Österreich Aktiengesellschaft

RZB - Anstria

U.S. \$100,000,000

Perpetual Floating Rate Subordinated Notes For the six months 20th May, 1996 to 20th November, 1996 the Noves will earry an interest rate of 5.8125% per samum with a coupon amount of U.S. \$148.54 per U.S. \$5,000 Note, and U.S. \$1,485.42 per U.S. \$50,000 Note, payable on 20th November, 1996.

Benkers Trust Company, London

Agent Bank

Copies of the Australia and New Zealand Banking Group's Consolidated Results and Dividend Announcement for the half year ended 31 March 1996 are available from Property Services, Minerva House, from Property Services, m...... Montague Close, London SE1 9DH. Marian 20171-978 2556. Telephone 0171-378 2556.

COMPANIES AND FINANCE: ASIA-PACIFIC

Nikon profits tripled despite sharp rise in yen

Strong demand for semiconductor equipment helped Nikon, the Japanese camera and precision equipment maker, to more than triple non-consolidated recurring profits the year to March despite a sharp rise in the yen's value in the first six

Nikon, which has trans-formed itself from a maker of high-end cameras to a manufacturer of mainly semiconductor-related equipment, posted a 13 per cent increase in sales from Y229.2bn a year ago to Y359.6bn (\$2.44bn) and a jump in recurring profits - before extraordinary items and tax -

from Y 5.9bn to Y18.8bn, The strong performance came despite a 15 per cent drop in camera sales, which now comprise about 23 per cent of Nikon's sales, and a 7 per cent decline in sales of lenses.

Cameras, which Nikon is widely famed for suffered amid continuing price competition which has forced the com-

conductor smand from the PC and telecornunications indus-Share price relative to the

Sales c semiconductor equipment for which Nikon has a 50 perent global market share, ros 28 per cent as Nikon signicantly increased production spacity at its facil-ity in Japa in order to meet strong demid

Nikon, wich depends on exports forabout half of its ments in th US amid a slowdown in thenarket but continued to see trong demand in

The commy's performance also supported by cost-cuttingmeasures, Nikon

In the curnt year, although recently sc semiconductor prices have ist a shadow over the bullish upital investment plans of semiconductor manufacture, Nikon expects sales to increse 18 per cent to Y305bn and curring profits to rise 22 per est to Y23bn. Net profits, manwhile, are forecast to sige 49 per cent to Y12bn from 3bn last year.

South Korean chipmakers scale down sales forecasts

By John Burton in Seoul

Samsung and Hyundai, two of South Korea's largest manufacturers of semiconductors, yesterday scaled back their sales forecasts for 1996 due to falling prices for computer memory

The ministry of trade, industry and energy also reduced its estimate of semiconductor exports this year by \$5.7bn to

Samsung Electronics, the world's leading memory chip producer, said that semiconductor sales would fall 15 per cent short of its target of Won10,000bn (\$12.82bn), while Hyundai Electronics cut its

by 20 to 30 per cent.

greater proportion of its mann-

facturing overseas. The ven's

sharp appreciation dented

sales overseas while the Japa-nese market was characterised

throughout the period by slug-

In contrast, semiconductor

related equipment, which now

makes up 57 per cent of

Nikon's sales, saw bnoyant

demand amid the surge in capi-

tal investment by semiconduc-tor makers, which in turn has

been supported by strong semi-

gish consumer activity.

The ministry warned that the slowdown in semiconductor exports could widen Korea's trade deficit from a projected \$7bn to \$10bn since semiconductors are the country's single biggest export item. Last year, semiconductors accounted for \$21bn of total exports of \$125bn.

Total monthly sales by the nation's main semiconductor manufacturers, which also include LG Semicon, have fallen steadily from \$1.95bn in December to \$1.42bn in March, according to the Korean Semiconductor Industry Associa-

cent to \$4.5biin the first quarter of 1996 frm a year earlier, but fell shortf initial expectations that the would double.

Prices of megabit and 16megabit daamic random access memcy (D-Ram) chips have fallenby almost half since the mile of last year due to a sarp increase in global produion and an unexpected fall indemand by computer manufaturers.

Korean chimakers are try-ing to reductheir dependence 4-megalt D-Rams, the industry maistay, by increasing productic of higher-priced 16-megabit and 64-megabit

Murdoch in move to buy rest of Ansett NZ

By Nikki Talt in Sydney

News Ltd, the Australian arm of Mr Rupert Murdoch's News Corporation group, yesterday formally lodged an application to acquire Ansett New Zealand with New Zealand's commerce commission, the country's competition watchdog.

The move represents a attempt to clear obstacles to Air New Zealand buying out the half-share in the Australian-based Ansett parent group held by TNT, the transport company. Ansett New Zealand is the only large competitor to Air New Zealand in its bome market, and the NZCC bad raised objections to Air NZ owning a large stake in Ansett, even if management of its Ansett NZ subsidiary was

News, which owns the other 50 per cent Ansett, claims that the current plan would oversince Air NZ would not be able to influence management of Ansett NZ once it was in News' control. The Australian media

group is looking for a decision from the NZCC within 10 days. Details of the submission by News revealed that the media group plans to acquire Ansett NZ from the Ansett group at net asset value. However, Ansett would have a five-year option to buy back the shares in Ansett New Zealand, and News could also require it to repurchase those shares dur-

ing that period. News could also sell its Ansett NZ shares to a third party, but Ansett would have first right of refusal, "Ansett agrees to indemnify News in . relation to losses sustained by News as a result of a sale to third parties or a restructure," added the acquisition agree-

WE WILL THE THE THE THE

 Qantas, the other leading. Anstralian airline and main competitor to Ansett, is putting its Australian Resorts. subsidiary up for sale. The hosiness comprises resort properties on five islands off in the Great Barrier Reef area, with an aggregate 504 rooms. The resorts business was acquired when Qantas, formerly au international airline only, merged with Australian in 1992.

Mixed full-year results for Japanese drug manufacturers After-tax profits rose 11.9 per

By Emiko Terazono

Japanese drug makers revealed mixed results for the year to March, with companies with drugs developed in-house post-

ing strong increases. The outlook for the industry for the current year, however, is relatively bleak due to the government's biennial cuts in official drug prices, which are used to reimburse doctors and medical institutions.

In an effort to cut the country's rapidly rising medical bill, the ministry of health and welfare is targeting drugs with strong sales for big price cuts. Sankyo, the country's second largest drug maker, posted a 4.2 per cent rise in unconsolidated recurring profits to Y87bn (\$816m). Sales rose 2.2 per cent to Y410.2bn on the back of strong sales of Mevalotin, its treatment for high cho-

cent to Y4L7bn. The company plans to pay an annual dividend of Y18.6 a share, up from last year's Y16.25. Price cuts for the company's

drugs will average about 6 per cent, compared with the industry's 8.5 per cent. Despite the cuts, Sankyo projects non-consolidated recurring profits to rise 1.1 per cent to Y88bn for 1996-97 on a 1.2 per cent rise in sales to Y415bn.

The company says the fig-ures may be revised upward if it manages to latinch Noscal, its anti-diabetic agent. Capital investment for the year is planned at Y23.3bn up from

Shionogi, which has strong ties with Eli Lilly of the US, was hit by its reliance on antibiotics, since sales of the drugs were brisk the previous year due to high incidences of influ-

It posted a \$4 per cent drop in non-consodated recurring profits to Y22bn on a 5.3 per cent fall in des to Y225.5bn. After-tax prits fell 2.1 per cent to Y11.2h. The compay expects to feel

the effects of his year's drug price rises an forecasts a 14.3 per cent decne in recurring profits to Y15n in 1996-97 on a 1.6 per ceo fall in sales to

Parmaceutical Опо reported a 10 per cent fall in unconsolidate recurring earnings to Y55.21 on an 8.9 per cent rise in sles to Y131.9bn. After-tax prois rose 14.9 per cent to Y25.8t.

For 1996-9 it predicts its first earnings etback in seven years, due to decreased demand for it diabetic treatment. It expes parent recurring profits total 17.6 per cent to Y45.5bn ora 7.1 per cent decline in sale to Y122.5bn.

Sound growth at Indian refiner

By Kunal Bose in Calcutta

Bharat Petroleum, one of

India's larger oil refinery groups, announced net profits of Rs3.86bn (\$109m) for the year to the end of March, an increase of more than 33 per cent over the previous year. Net sales were up 14.19 per cent to Rs92.54bn.

The company said that its joint venture with Oman Oil Company for constructing a refinery with capacity of 6m tonnes a year in Madhya Pradesh had received the necessary clearances from the Indian federal government.

Banque Indosuez U.S. \$125,000,000

Floating Rate Notes due 1997 For the six months 20th May, 1996 to 20th November, 1996

the Notes will carry an interest rate of 5.975% per annum and coupon amount of U.S. \$300.28 per U.S. \$10,000 Note. Bankers Trust

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Net sales for the 1st quarter of 1996

The consolidated net sales for the first quartent 1966 amounted to FRF 18.7 billion compared to FRF 20.9 billion for the first quarter of 195. The decline on the basis of a comparable structure was 9.9 %. The only change to the gup structure was the equity accounting of Seas (ferro-alloys), fully consolidated in the Flat Proucts division until 31 December 1995.

in FRF million	1st quaer 199€	1st quarter 1995	% change on basis of comparable structure
Flat Products	8.60	9,830	- 17.5%
Stainless Steel and Alloys	4.59	5,443	- 15.5%
Specialty Products	4,17	4,408	- 5.4%
Other Activities	2,31	2,324	- 0.2%
Intercompany sales	- 96	- 1,134	- 0.2 70
Group	18,73	20,871	- 9.9%

The change in net sales between the first quarr of 1995 and the first quarter of 1996 is mainly due to the effect of volume : a decline of 10.% for Flat Products, 13.8% for Stainless Steel and Alloys, and 9 % for Specialty Products. ils reflects the production slowdown adopted by Usinor Sacilor's subsidiaries with effect frn the 4th quarter of 1995 to take account of the destocking by their European customers.

The impact of price changes compared to theirst quarter for 1995 was limited: a decline of 1% for Flat Products, 1.8% for Stainless Stetand Alloys and a 3.6% increase for Specialty Products. The orices that applied during the fir three months of 1995 were, for the most part, set at the end of 1994.

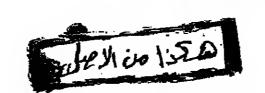
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COMPANIES AND FINANCE: ASIA-PACIFIC

Cheung Kong to spin off some infrastructure assets Matsushita and

By John Ridding in Hong Kong

Shares in Cheung Kong rose yesterday after Mr Li Ka-shing's prop-erty and investment flagship con-firmed plans to spin-off some of its Chinese and Hong Kong infrastruc-ture assets and seek a separate listing for them on the Hong Kong stock market.

The Hong Kong company declined to give details of the move, but the proposed listing is expected to include power plants and highways in China. If the reorganisation extends in

Hutchison Whampoa, the group's associate, tha spin-off could also include port operations. Investors welcomed the news, sending shares up by HK\$1 to close at HK\$54.25.

According to UBS securities, Cheung Kong has invested about HK\$2.4bn (US\$310.3m) in Chinese turbastratives available.

infrastructure projects. Pending infrastructure investments are estimated at more than HK\$6bo, including a 22.5 per cent stake in a large power plant in Zhuhai, in southern China, and roads and bridges in Hubei province, A spin-off at Cheung Kong had been foreshadowed as early as 1994, when the group issued US\$350m of convertible bonds and said it planned a separate listing for some of its China projects. It follows a similar move by New World Development, which hived off its infrastructure assets last year, and by Handerson Land, which recently completed a separate listing for its Chinese property interests.

While Cheung Kong's intention's

remained vague, industry analysts

said the planned spin-off should pro-vide a targeted vehicle for invest-

of Cheung Kong's China assets. It would also facilitate the financing of the group's proposed projects. "They have a lot of projects requir-

ing funding, while investors are increesingly interested in infrastructure plays", said Mr Y.K. Fu, vice-president of Merrill Lynch in Hong Kong. Another investment banker said the group's power projects and the predictability of earnings streams from highway projects would draw investors. would draw investors.
In its brief statement, Cheung Kong

said only that an application had been made to the Hong Kong stock market to list a subsidiary grouping certain of its infrastructure and infrastructurerelated businesses. It advised investors in the company to exercise cau-tion since the proposed listing may not proceed. The company said that a further announcement would be made "when appropriate".

Analysts said the move would have a positive impact on Chaung Kong. Observers were divided, however, over the scale of the planned spin-off.

Toyota in car battery venture

By Michiyo Nakamoto in Tokyo

the same of the sa

Toyota, Japan's largest car maker, and Maisushita, the country's biggest electronics manufacturer, have teamed up to develop batteries for electric cars in a move that highlights the accelerating race to introduce alternativa energy sources amid spreading concerns for the environment.

The two are among Japan's strongest companies in their respective industries, and their group companies, Matsushita Battery Industrial and Toyoda Automatic Loom Works, have agreed to establish a joint venture company, Panasonic EV Energy, to develop electric

The new company, which will develop, manufacture and market nickel metal hydride rechargeable batteries for electric cars, will bring together Toyota's electric vehicle engineering know-how and Matsushita's expertise in batteries, as well as the financial strength of both blue-chip companies.

The joint venture is the strongest indication that Japanese companies are determined in stay ahead in the development of environment-friendly technologies.

"We are confident that our nickel metal hydride technology is highly advanced and believe that it can be the industry standard," Mr Shiro Donishi, president of Matsushita Battery Industrial, said yes-

The two companies, which have been working together on the development of nickel metal hydride batteries, recognised that the market for electric vehicles remained highly uncertain, but said that given the market anvironment, "it is necessary to go beyond devel-opment to making this a prac-

tical reality".

Other leading carmakers worldwide have been joining forces with battery makers to develop electric cars amid regulatory moves to require car-makers to produce a certain number of low emission vehicles

GM, the US car company. has been working with Ovonic, Pengeot with Sarf and Nissan with Sony, on developing bat-teries for electric cars after a decision in California thet by 2003, 10 per cent of vehicles sold in that state will be required in be electric vehicles. For carmakers, development of electric vehicles is a costly necessity that promises unpre-

dictable returns. Toyota, which has already invested at least Y10bn (\$94m)in electric vehicles and plans to market a recreational BY in the US next autumn, said it does not believe that electric vehicles will replace petrol-powered ones for the foreseeable future. "Electric cars will be restricted to spe-cific uses," said Mr Masanao Shiomi, managing director of

Toyota and Matsushita do not expect the new company to make a profit at least until 2000, when the market for electric vehicles in North America, Japan and Europe is expected to reach 10,000 units. However, Matsushita has already been approached by several compa-nies interested in using its bat-

Hatamoto steering Honda back to profits growth

Higher sales in all main markets are a large factor in the carmaker's recovery, writes Haig Simonian

hen Honda Motor announces its profits for the 1995-96 financial year today, the figures should confirm Japan's third biggest carmaker has weathered the turbulent past five years better than most of its

Profits for the year ended March 31 "will be similar, or better, than those of three years ago", says Mr Nobuhiko Kawamoto, president. His exclusion of the "disastrous" tandem of 1993 and 1994 is deliberate; the steep drop in Honda's earnings in both years reflected tha bursting of Japan's economic bubble. "1 think there will be a recovery to the 1992 level," he says. Honda made Y131bn (\$1.23bn) before tax that year.

In an interview at the European launch of the company's new Legend executive saloon, Mr Kawamoto predicted a return to longer-term profits growth, with earnings for the 1997-8 financial year set to exceed the Y152bn made before tax in fiscal 1990.

His forecasts assume, however, a yen-dollar exchange rate of between Y95 and Y100. Currency predictions have proved tricky for Japan's car-makers in the past. The dol-lar's decline to Y79 a year ago set alarm bells ringing throughout the industry as margins on exports evapo-

The yen's appreciation prompted an immediate budget review at Honda. The company revised its plans for the 1995 financial year and based its assumptions for the following year on the basis that the dolthan expected Last August; the dollar recovered to over Y90, taking the average exchange rate for 1995-96 to

The dollar's recovery is one of the reasons behind tha upturn in Honda'e profits, says Mr Kawamoto. Sharply higher sales in all main markets and cost-cutting over the past four years are the others, he says.

Sales rose by 10 in 12 per cent in Japan, the US, Europe and Asia last year as the company comfortably outper-formed the market in all four regions. It should do the same in the current 12 months, he

Honda's sales growth has been based on a strong model range. Output of the big Odys-sey multi-purpose vehicle - the first of a string of recent suces - is running at between 10,000 and 12,000 units a month compared with the original target of 3,000 units. The CR-V sports utility, introduced after last October's Tokyo motor show, is doing almost as well,

This year, the Accord has even nosed ahead of Ford's Taurus to become the US market leader

with monthly production of about double the original 3,000 unit forecast.

More recent models are also looking good. The Civic station wagon is selling at about twice the forecast rate of 3,000 units a month. And preliminary interest in the Step Wagon, a scaled-down people carrier first displayed as the F-MX at the Tokyo show and just launched in Japan, suggests demand will be buoyant now the model is in the showroom.

Honda's domestic sales. Regis-trations last year were on target at 640,000 units. Figures for the first quarter suggest it is on course to meet its currentyear objective of 720,000 units.

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The new vehicles have

prompted Mr Kawamoto to bring forward by a year his 1998 target of selling 800,000 units at home.

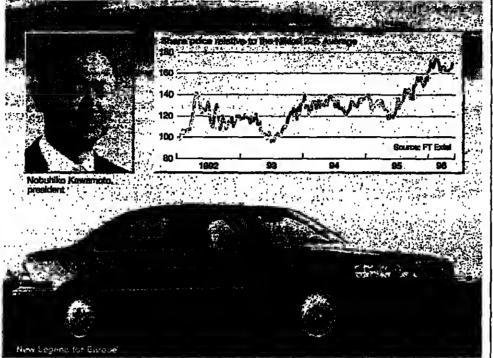
Strong domestic demand has been matched abroad. In the US, which accounts for 50 to 60 per cent of operating profits. the company's 1995 sales and inventory were relatively favourable compared with both ite Japanese rivals and Detroit's "Big Three" carmakers, according in Goldman Sachs. This year, the Accord has even nosed ahead of Ford's Taurus to become the US market leader.

The US is by far the biggest of the foreign countries in which Honda is building cars to meet demand growth and in reduce its dependence on exports from Japan. It decided recently to raise its US capacity by 100,000 units to 720,000 units a year and to build V6 engines locally. It will also go ahead with a new factory in Canada for 120,000 multi-purpose vehicles a year.

Mr Kawamoto says foreign production will continue to grow. Ontput in the UK is being accelerated to 150,000 units a year from 100,000 with the introduction of the Accord and the likely addition of an estate version of the Civic 5-door. Further afield, the company has decided to start car production in Brazil.

Much of Honda's recent success has come from its ability to spot market niches and quickly develop new products, such as sports utilities, to fill the gap. But Mr Kawamoto is wary about predicting the demise of the family saloon. Undeterred by the seemingly

relentless rise of the "recre-Y80. Matters turned out better underpinned the growth in ational vehicle" in Japan and elsewhere, he believes the saloon will make a comeback. Although recreational vehicles such as sports utilities, people carriers and estate cars will comprise about 40 per cent of The resilience of demand has Honda's sales this year, "I



think the recreational vehicle may not last long", he warns. I don't know where demand

the "agility" to deal with such changes is a phrase constantly on his lips. Hence Honda's will go - but surely back to the decision to continue investing saloon", he predicts. Having heavily in simplify the engi-

neering, improve the quality and reduce the costs of its traditional models, "You must carry on with saloons. You must be prepared," he says.

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Issued by HSBC Investment Bank pic, regulated by SFA.

Holders whose Bearer Security or Securities are not presently held through an account holder in Euroclear Codel Bank should deliver such Bearer Security or Securities, together with all unmatured Coupons pertaining thereto, to such an account holder immediately, in order to enable such account holder to effect a pertaining thereto, to such an account holder immediately, in order to enable such account holder to effect a prevaion and exchange of such Bearer Security or Securities for an interest of an equal aggregate principal twention and exchange of such Bearer Security or Securities for an interest of an equal aggregate principal together to the Registered Global Certificate to be held by and registered in the name of the common depositary to the Euroclear and Cedel Bank or its nomines. es with regard to the information contained in this notice may be directed to: Banco Río de la Plata S.A. Bartolome Mitre 480 1086 Buenos Aires Pacsimile No.

Banque Internationale à Luxembourg S.A.
69 route d'Esch
L-1470 Luxembourg
Grand Duchy of Luxembourg
Name: Jean-Marc Richard or Christine Franckart
Telephone No.: +352-4590-4214
Facsimile No.: +352-4590-4227

EXCHANGE INSTRUCTIONS

Banco Rio reserves the right to cancel the exchange of Bezer Securities for interests in a Registered Global Certificate if, prior to the close of business on May 22, 1996, the Regulations are amended or superseded so as Certificate if, prior to the close of business on May 22, 1996, the Regulations are amended or superseded so as Certificate if, prior to the close of business on May 22, 1996, the Regulations are amended or superseded so as Certificate if, prior to the close of business on May 22, 1996, the Regulations are amended or superseded so as Certificate if, prior to the close of business on May 22, 1996, the Regulations are amended or superseded so as Certificate if, prior to the close of business on May 22, 1996, the Regulations are amended or superseded so as Certificate if, prior to the close of business on May 22, 1996, the Regulations are amended or superseded so as Certificate if, prior to the close of business on May 22, 1996, the Regulations are amended or superseded so as Certificate if, prior to the close of business on May 22, 1996, the Regulations are amended or superseded so as Certificate if, prior to the close of business on May 22, 1996, the Regulations are amended or superseded so as Certificate if, prior to the close of business on May 22, 1996, the Regulations are amended or superseded so as a constant of the close of business of the close of th

Law 34,587 (the "Law"), published in Argentina in the Official Gazette on November 22, 1995 (Ley de Nominatividad de los Titulos Valores Privados), makes it mandstory, as a matter of Argentine public policy, for any security issued by an Argentine private entity (including the Bearer Securities issued pursuant to the "Lexal Agency Agreement) to be converted to a non-endorable, registered form. In furtherance of the Law, the "Scal Agency Agreement) to be converted to a non-endorable registered form. In furtherance of the Law, the federal Executive Power has issued Decree 259/96 (the "Decree"), published in the Official Gazette on March 20, 1996 (the Law and the Decree, the "Regulations"). Under Article 13 of the Decree, bearer debt securities 20, 1996 (the Law and the Decree, the "Regulations"). Under Article 13 of the Decree, bearer debt securities that have been registered with and authorized by the Argentina Nacional de Valores ("CNV") under the public offering regulations (such as the Securities) are deemed to be in compliance with the Regulations approved by the CNV (which are expected to include the Cajo de Valores S.A. (the "Caja"), the Argentine clearing system, and Euroclear and Cedel Bank). The Regulations require that all outstanding bearer securities of private issuers (including the Bearer Securities) he converted or exchanged for non-endorsable, registered securities, or partial or global certificates as aforesaid, ON OR BEFORE MAY 22, 1896.

Under the Regulations, after the above deadline and until such time as the exchange is effected, no rights can be exercised with respect to any bearer securities (such as the Bearer Securities) including, without limitation, receiving interest or principal payments or effecting any transfer, piedge or other literative thereto. In addition, upon the expiration of the May 22, 1996 deadline, severe adverse economic consequences will result from the violation of the Regulations.

Consequences will result from the violation of the Regulations.

Under Argentine law, therefore, as a matter of public policy, the Holders of the Bearer Securities will be prevented from exercising any rights with respect to such Bearer Securities (including the right to demand that prevented from exercising any rights with respect to such Bearer Securities (including the right to demand that payment be made thereunder) until the exchange is effected in accordance with the Regulations. The Board of Directors of Banco Rio, under Section 501 of the Fiscal Agency Agreement, has determined that in order to Directors of Banco Rio, under Section 501 the Holders of Bearer Securities and to avoid the material adverse allow the exercise of their rights by the Holders of Bearer Securities and to avoid the material adverse allow the exercise of their rights by the Holders of Bearer Securities and to avoid the material adverse allow the control of the Holders and consequences resulting from non-compliance with the Regulations, it is in the best interest of the Holders and consequences resulting from non-compliance with the Regulations, it is in the best interest of the Holders and consequences resulting from non-compliance with the Regulations, it is in the best interest of the Holders and consequences resulting from non-compliance with the Regulations, it is in the best interest of the Holders and consequences resulting from non-compliance with the Regulations, it is in the best interest of the Holders and consequences resulting from non-compliance with the Regulations, it is in the best interest of the Holders and consequences resulting from non-compliance with the Regulations, it is in the best interests in a Banco Rio and the Holders and consequences resulting from non-compliance with the Regulations, it is in the best interests of the Holders and consequences resulting from non-compliance with the common describes and the resulting from non-compliance with the common describes and the resulting from non-compliance wit

Except as provided in the following sentence, on May 22, 1996 each Bearer Security which is held through an recount holder in Euroclear on Cedel Bank will be converted into and exchanged for an interest of an equal recount holder in Euroclear and Cedel Bank will be converted by and registered in the name of the interest of principal amount in the Registered Global Certificate to be held by and registered in the name of the interest of an equal registered of the name of the interest of an equal register of the name of the interest of the name of the name of the interest of the name of the

May 17, 1996

DEPORTANT NOTICE

YOUR IMMEDIATE ACTION IS REQUIRED. IF YOU HAVE ANY DOUBT WITH RESPECT TO THE CONTENTS OF THIS NOTICE, YOU SHOULD CONSULT WITH YOUR ADVISORS

To Holders of Securities Representing US\$25,000,000 9.25% Negotiable Obligations Due 1997

COMMON CODE: 4011490 ISIN CODE: XS0040114901

EXCHANGE OF BEARER SECURITIES FOR INTERESTS IN A REGISTERED GLOBAL CERTIFICATE

Law 24,937 (the "Law"), published in Argentina in the Official Garctic on November 22, 1996 (Loy de Novemberteldad de los Visions Velores Primatos, makes it mandatory, as a matter of Argentina public policy, for any secondly small by as Argentine portate early Garching the Bearer Sequities insued pursons to the Figual Agency Agreement) to be converted to a non-indormable, registered form. In furthermore of the Law, the Folgrad Executive Power has knowed Decree 25,996 (the "Decree"), published in the Official Garctic on March 50, 1996 (the Law and the Decree, the "Regulations"). Under Article 13 of the Decree, debt secunities that have been registered with and sufficiently Power Consistin Nacional de Velores ("CNV") under the public officing regulations (such as the Secunities) are desired to be in obscillated with the Regulation of such as the Secunities are presented under global or partial certificates deposited under local or foreign cleaning spectuae approved by the CNV (which include the Capic de Velores X.4. (the "Capic"), the Argentine cleaning system, and which are supercied to include Euroclean and Cadel Banki. The Regulations require flat all entrangles securities of priving housers (heavers (heaver), the Argentine cleaning approach and regulation of such as the securities, or partial or global cartification an aforement, ON OR REPORE MAY 22, 1996.

- The Bester Securities become non-transferable under Argentine law and Holders may not exercise any rights under the Bester Securities, including the right to claim payments under the Bester Securities.
 All fax commptions relating to the Bester Securities granted by the Argentine Negotiable Chligations Law No. 23,573 (as assended) will be supposed until conversion as required by the Regulations takes place.
 Any payments of principal or interest under the Regulation will be subject to a thirty (30) per cast, withholding tax. The Laurer would be required to pay satisficant amounts parameter to Condition 6 of the Terms of the Bester Securities in respect of amounts withhold.
- SGN does not consider these consequences to be in the interests of the larger or the Holders

The Beard of Directors of SGN has determined that in order to allow the exercise of their rights by the Helders of Bearm Securities and to srold naturals adverse consequences resulting from non-compliance with the Seguiations, it is in the best interest of the Reidens and BGN to provide a procedure to exchange all the containeding Securities for interests to a registered global cartificate to be deposited and registered with the most deposited rank or has numbered the "Registered Global Cartificate") ON OR REFORM MAY 22, 1884.

Holders whose Bearer Security or Securities are not presently held through an account holder in Suroclear or Code's Bank should deliver such carer Security or Securities, together with all municipal Coupens apportaining thereto, to such an account holder incandisately, to order to enable sets security or Securities for an instead, and aggregate principal amount the Engineer Global Carel Carel Security or Securities for an instead, of an equal aggregate principal amount the Engineer Global Carel Carel Security and contains devoluting depositors for Broadest and Carel Seaks or in securities to the ball by and registered in the number of the contains devoluting the Security for Broadest static Carel Seaks or in security.

The Bunk of New York, London Branch 46 Berkeley St., London WIX 54.4, England Name: Treve Heaver Telephone Mo: +44-171-322-6397 Facilistic No: +44-171-322-6344

May 20, 1996

U-Ming Marine Transport Corporation incorporated at a company limited by shares in Tahwar, Rep China) US\$60,000,000 1.5 per coat. Convertible Bends dec 2001 Change in BOC Law Relating to Bend Conversion

NOTICE IS HEREBY GIVEN that with effect from 03 March 1996, NOTICE IS HERBY GIVEN that with effect from 03 March 1996, following a further amendment to the Regulations Governing Securities Investment by Overseas Chinese and Foreign Nationals and Procedures, for Remittance ("Regulations"), a foreign investor holding overseas convertible bonds and intend to exercise the conversion will have to appoint a local agent who shall then, on behalf of the Bondholder, apply for the conversion of the bonds into common shares (or Buttlement Certificates) of the Issuing companies, open a securities trading account with a local brokerage firm, act as custodism for the securities received, pay ROC toxes, make confirmation and settlement, remit funds, exercise shareholders' rights, and to perform any such other matters as may be authorized by the converting bondholder. Further to our Notice dated 21 July 1995. The new Regulations have revised to the effect that the issuing companies are no longer required to designate such local agents.

companies are no longer required to designate such local agents.

As required by the Securities and Exchange Commission ("SEC"), the appointed local agent must be a financial institution approved by the ROC Ministry of Finance ("MOP") to engage in agency business. The Bondholders should also consult their local agents in connection with the opening of a securities trading account and a New Taiwan dollar account for the securities transactions.

Bondholders should refer to the terms and conditions pertaining to the conversion as contained in the Offering Circular and Indenture should they wish to exercise the conversion. After conversion, the bondholder will receive Entitlement Certificates rather than actual shares which will be separately traded. Under the current ROC laws and regulations, the issuing company will issue shares at least once a year to replace the Entitlement Certificates.

variable with registered office at 69, route d'Each, L-1470 Lucambourg,

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal"),

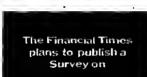
(i) to state the accomplishment of the formalities prescribed by article 287 of the law on commercial companies.

(ii) to approve and ratify the Merger Proposal published in the Mémorial, Racueil Spácial des Sociétés et Associations;

(III) to accept the issue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new competenents as follows:

Date: 21 May 1996

and upon hearing



For further information, please contact Ewa Placzak-Neves on +44 3204 or Edward Macculates on +34 1. 377 0061 or Fax: +341 377 0062. FT Surveys

COMPANIES AND FINANCE: UK

BA looks for £1bn to retain competitiveness

Aerospace Correspondent

British Airways yesterday announced full year pre-tax profits of £585m (\$889m) but said it would have to find filbn over the next three years to maintain its competitive-

Sir Colin Marshall, chairman, said the £1bn would come from a combination of costentting, improved use of assets and revenue enhance-

He said: "Every aspect of the group's operation is under review to achieve this goal, including commercial, opera-tional and overhead activities." BA said it took £150m in costs out of the airline last year, bringing the total to £900m over five years.

BA said the further savings were needed even though its aircraft carried more passengers last year than ever and in spite of a rise in fares. Passenger load factor, or seat occu-pancy, averaged 73.6 per cent over the year, an increase of 2 percentage points.

Passenger yields - the amount the siriline receives for each mile it flies a passenger rose by 0.8 per cent on BA's mainline scheduled passenger services over the year, with an increase of 4.1 per cent in the fourth quarter.

The airline said, however, its planning was based on the esumption that yields would in the future fall by 1 per cent a year. Cargo yield last year

year to March 31 were up 8 per cent to £7.8hn. Operating profit increased by 17.8 per cent to £728m. The operating margin of 9.4 per cent was the highest since the group was privatised

other airlines contributed £150m to operating profits. Losses from Deutsche BA and TAT of France fell to £68m from £90m the previous year, in spite of a strengthening of both the D-Mark and the French franc against sterling. BA's tie with USAir, in which it has a 24.6 per cent

highest ever, was 20.4 per cent up on last year's £452m before provisions. Revenues in the could use one Boeing 747 fewer oo the UK-Australia route. The final dividend is 9.8p.

Sir Colin Marshall celebrates yesterday's results with colleagues

bringing the total dividend to 13.65p, an increase of 10.1 per cent on last time. Earnings per share were 49.4p, compared with 26.20. Net borrowings at year eod

were £3.7bn, resulting in gearing of 50.8 per cent, a 4 percent-age point fall on the previous BA said its alliances with

> Sir Colin said: "The economic outlook is encouraging and latest industry results continue to show improvements in international airlines' seat factor performance. Industry financial performance remains on the upswing, with the International Air Transport Association forecasting increased profitability for 1996."

LEX COMMENT

Railtrack

has given investors plenty to be chuffed shout. The ques- Total employees (000) tion now is whether they 114should stick along for the ride, or hop quickly off. There are plenty of reasons for staying put. To understand wby, compare Railtrack with, say, a regional electricity company. Its revenues are more secure, the scope for cost-cutting is greater and its balance sheet is better-padded. Yet on any measure, Railtrack shares

10.8 Apr'94 Mar'95 Mar'96 But there are two flies in the Saures Parison prospectus

ointment. The first is the threat of a Labour government. There is every reason to take seriously the Labour party's plan to give itself control of the rail regulator - if only because Railtrack's financial potential is such a juicy target. This is not just e problem for the future: it leaves the company in a bind now as well. The more commercially it behaves - by, say, aggressive cost-cutting or buying back its own shares - the greater the risk it will get clobbered after the election.

Second, even if there is plenty more value left in the shares, the market will not necessarily recognise the fact. It is all too likely that Railtrack will suffer the same fate as the water sector – that the market refuses to acknowledge its financial strength because of ill-defined political fears and over-reliance on crude, vield-based valuations.

Even at the current price, the shares look a good long-term investment. But now that they are yielding slightly less than water stocks, it is difficult to see the market recognising much more upside in the short term.



By John Griffiths

the UK's lest publicly-quoted independent heavy truck maker, is to be taken over by a Canadian truck company not much larger than itself.

ERF chairman Mr Peter Foden, whose family controls 30 per cent of its shares, said last night its board was unanimously recommending e 2750 cash offer from the Western Star company for all ERF's shares, valuing the company at £27.4m (\$41.64m).

Acceptances already total 52 per cent as a result of institu-tions, who also hold about 30 per cent, lining up behind the offer. It represents a premium of 13 per cent on the shares when they were suspended on Thursday, and of 55 per cent prior to ERF disclosing Western Star's purchase of a 42 per cent stake in early April.

ERF, one of the UK indusof 3,300 trucks last year, has been under heavy pressure in a fiercely competitive domestic heavy truck market.

Yesterday, it said pre-tax

were £1.8m (£2.8m). This was st the bottom end of analysts' forecasts and included an exceptional profit of £0.8m resulting from the sale of shares in ERF's South African subsidiary. It announced a second interim dividend of 2.5p.

Western Star, based in the remote Okanagan valley of British Columbie. earned \$C55m before tax on sales of \$C726m last year. Mr Terry Peabody, its Aus-

tralian-born chairman, said pooling products and developing joint distribution networks could lead to a doubling of sales for each company over the next five to 10 years.

While ERF mainly builds conventional - by European standards - "cabover" trucks, without a bonnet, Western Star produces the bonneted trucks which predominate in North America.

The companies are to retain their separate identities and try's smallest companies, with Mr Foden said last night he 700 employees and production would continue as ERF's chairman He and Mr John Bryant ERF's managing director, are to join Western Star's Board and Mr Peabody and another Western Star director are to profits for the year to March 30 joint that of ERF.

stake, brought in \$130m (£85m). rose 47 per cent BA said its alliance with BA's pre-tax profit figure, its Quntas of Australia meant it **British Biotech shares** jump ahead of statement

By Daniel Green in London

UK's biggest biotechnology company, rose 185p to £30.30 yesterday as the stock market took a bullish view ahead of an amouncement today on progress in trials of its cancer drug

test results, which suggested that tablets of marimastat leading shares.

valued at £1.75bn (\$2.66bn); the threshold for FT-SE entry is about £2bn.

rewards, on paper et least, and the company's shares bave been among the stock market's best performers in recent

Less than a year ago they were valued at below 500p. The market's valuation is based on the prospects for the company's drugs in research, of which marimastat has the most potential: a drug that could treat many cancers could have sales of several billion

pounds a year. to go before marimastat can reverses.

1986 with venture capital financing that valued it at £2.5m. It floated in 1991 at 425p a share and has since raised £96m in a rights issue and exercise of warrants.

ebly signal another rights issue. The company is spend-

ing about £25m a year, mostly

and has net cash of about

£60m, according to analysts at

The company was founded in

Lehman Brothers in London.

on research and developmen

Before the recent optimism, But there is still a long way the company has had its Batimastat, an injectible can-

has yet to clear the final stages cer treatment, was once its of testing, in which it will be foremost candidate for comcompared against a placebo in mercialisation and now rarely

The company has 350 staff, including 20 in the US, where

BOSTON INCOME INVESTMENT FUND. SICAV

Société d'Investissement à Capital Variable Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 25255

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON INCOME INVESTMENT FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 10.00 a.m. local time at the registered office with the following agenda:

AGENDA ·

Approval of the marger by absorption of the Company by BOSTON INTERNATIONAL FUND I, SICAV (formerly BOSTON EUROPEAN BOND FUND, SICAV) together with BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, all Linembourg goodétés d'investissement à cap variable with registered office at 59, note d'Esci, L-1470 Linembourg.

 the report of the Search of Directors in relation to the merger proposal (the "Merger Proposal"). (2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eurobne Russert, L.

(i) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies: (fi) to approve and ratify the Merger Proposal published in the Mémorial, Requell Spécial des Sociétés et Associations.

(iii) to accept the issue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new compentments as follows:

- BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT, in exchange for the contribution of all assets and liabilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new Class & share of BOSTON INCOME INVESTMENT for each cancelled Class & share of BOSTON INCOME INVESTMENT FUND, SICAV;

- BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT In exchange for the contribution of all assets and liabilities of BOSTON EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class & share of BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT for each cancelled Class & share of BOSTON EQUITY INVESTMENT FUND, SICAV;

- BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME in exchange for the contribution of all assets and liabilities of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME for each cancelled Class B share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV;

BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class & share of BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT for each cancelled Class B share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON ARGENTINE INVESTMENT FUND, SICAV in the proportion of 1 new Class 8 share of BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT for each care Class 8 share of BOSTON ARGENTINE INVESTMENT FUND, SICAV:

BOSTON INTERNATIONAL FUND 1 - GLOBAL CAPITAL APPRECIATION in exchange for the contribution of all assets and Rabilities of BOSTON GLOBAL CAPITAL APPRIECIATION FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION fund, SICAV; to each cancelled Class B share of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV; BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME in exchange for the contribution of all assets and liabilities of BOSTON STRATEGIC INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME FUND, SICAV;

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present of represented and voting at the meeting.

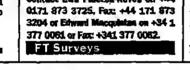
The Shareholders on record at the date of the meeting are entitled to vote or give provides.

roides should arrive at the registered office of the Company at least 48 hours before the meeting. The following documents are at the Shareholders' disposal for examination at the registered office of the SiCAV (copies may be obtained without cost):

- THE TWEE LEST BYTICE! TREATING WITH TREATSCENERS REPORTED IS SCAV, BOSTON LICENSE STATEMENT FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, BICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV BOSTON EUROPEAN BOND FUND, SICAV;

- the reports of the Board of Directors of Boston Income Investment Fund, Sicav, Boston Equity Investment Fund, Sicav, Boston Witernational Equity Investment Fund, Sicav, Boston U.S. Government Income Fund, Sicav, Boston Pacific Growth Investment Fund, Sicav, Boston Global Capital Appreciation Fund, Sicav, Boston Strategic Income Fund, Sicav, Boston European Bond Fund, Sicav on the Merger Propasal; the report of the Independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Director



BOSTON STRATEGIC INCOME FUND. SICAV

Société d'Investissement à Capital Variable Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 4221B NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON STRATEGIC INCOME FUND, SICAV (the "Company") that the SECONO extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 2.30 p.m. local time at the registered office with the following agenda:

AGENDA

Approval of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND I, SICAV (formerly BOSTON EUROPEAN BOND FUND, SICAV) together with BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, all Lizembourg sociétés d'investissement à capital

(2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-



ilicies of the new administration •

on Monday, June 24. The survey will loose on the

The challenge faced by the country of monetary union . Spain's

privatisation programme, banking, competition and much more • its

Shares in British Biotech, the If the data supports previous

could treat a wide range of cancers, the company could soon become eligible for inclusion in the FT-SE 100 index of The company was yesterday

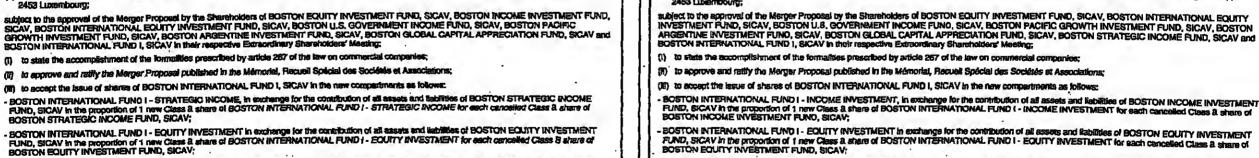
British Biotech has already be in 1997 or 1998. provided investors with rich

reach the market. The drug

statistically significant trials. If they go well, the launch could

rates a mention.

Success in trials would probit has a Nasdaq quotation.



BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT In exchange for the contribution of all assets and Babildes of BOSTON INCOME INVESTMENT FUND I - INCOME INVESTMENT for each cancelled Class B share of BOSTON INCOME INVESTMENT for each cancelled Class B share of BOSTON INCOME INVESTMENT FUND, SICAY; BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class & share of BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT for each cancelled Class & share of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUNCI - U.S. GOVERNMENT INCOME in exchange for the contribution of all exects and flabilities of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUNDI - U.S. GOVERNMENT INCOME for each cancelled Class B share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV; BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT in exchange for the contribution of all assets and liabilities of PACIFIC GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT for each cancelled Class B share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV; BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT in exchange for the contribution of all essets and liabilities of BOSTON ARGENTINE INVESTMENT FUND, SICAV in the proportion of 1 new class 8, there of BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT for each cancelled Class 8, share of BOSTON ARGENTINE INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUNO I - GLOBAL CAPITAL APPRECIATION in exchange for the contribution of all assets and liabilities of BOSTON GLOBAL - BUDITON INTERINATIONAL FUND I - GLUBAL CAPITAL AFFIRMATION III BERINGING FOR THE CONTRIBUTOR OF All SENTING OF BOSTON GLOBAL CAPITAL APPRECIATION INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION FOR SECRETARIONAL FUND I - GLOBAL CAPITAL APPRECIATION FUND, SICAV;

There will be no quorum requirement and the resolutions will be peased by a majority of 2/3 of the shareholders present or represented and voting at the meeting. Such chare is entitled to one vote. The Shareholders on record at the date of the meeting are entitled to vote or give prodes.

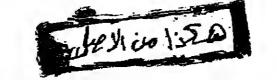
The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost): - the three lest annual financial reports with management reports of BOSTON STRATEGIC INCOME FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV and BOSTON EUROPSAN BOND FUND, SICAV:

the reports of the Board of Directors of BOSTON STRATEGIC INCOME FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME THE PERSONS OF THE BORRE OF DIRECTION OF THE PARTICULAR PROPERTY OF THE PROPERTY PARTY. BUSICAY, BOSTON U.S. GOVERNMENT INCOME INVESTMENT FUND, SICAY, BOSTON U.S. GOVERNMENT INCOME FUND, SICAY, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAY, BOSTON ARGENTINE INVESTMENT FUND, SICAY, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAY and BOSTON SUROPEAN BOND FUND, SICAY; on the Marger Proposet.

the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

Provides should arrive at the registered office of the Company at least 48 hours before the meeting.

By order of the Board of Directors



This announcement constitutes neither an offer to sell nor a solicitation of an offer to buy these securities. The offering was made only by the Prospectus, copies of which may be obtained in any State from such of the undersigned and others as may lawfully offer these securities in such State.

May 16, 1996

4,485,000 Shares

Common Stock

Price \$25 per Share

Smith Barney Inc.

Alex. Brown & Sons INCORPORATED

Lehman Brothers



This announcement constitutes neither an offer to sell nor a solicitation of an offer to buy these securities. The offering is made only by the Prospectus, copies of which may be obtained in any State from such of the undersigned and others as may lawfully offer these securities in such State.

May 16, 1996

2,200,000 Shares



The Vincam Group, Inc.

Common Stock

Price \$15 per Share

Smith Barney Inc.

Alex. Brown & Sons

Hambrecht & Quist LLC

BT Securities Corporation

Donaldson, Lufkin & Jenrette

Merrill Lynch & Co.

Oppenheimer & Co., Inc.

PaineWebber Incorporated

Robertson, Stephens & Company LLC

Robert W. Baird & Co.

George K. Baum & Company Brean Murray, Foster Securities Inc. Crowell, Weedon & Co.

Janney Montgomery Scott Inc.

First Equity Corporation

C. L. King & Associates, Inc.

Raymond James & Associates, Inc.

Ladenburg, Thalmann & Co. Inc. Needham & Company, Inc. Rauscher Pierce Refsnes, Inc. The Robinson-Humphrey Company, Inc.

Sanders Morris Mundy Inc.

Unterberg Harris

This announcement constitutes neither an offer to sell nor a solicitation of an offer to buy these securities. The offering is made only by the Prospectus, copies of which may be obtained in any State from such of the undersigned and others as may lawfully offer these securities in such State.

May 16, 1996

8,331,204 Shares



Health Systems International, Inc.

Class A Common Stock

Price \$30 per Share

1,666,240 Shares

These Shares are being offered in an international offering outside the United States and Canada by the undersigned,

Smith Barney Inc.

Dillon, Read & Co. Inc. (London)

Dean Witter International Limited

Robertson, Stephens & Company LLC

Salomon Brothers International Limited

Volpe, Welty & Company

ABN AMRO Hoare Govett

Robert Fleming & Co. Limited

Nikko Europe PLC

Vereins- und Westbank

6,664,964 Shares

These Shares are being offered in a concurrent offering in the United States and Canada by the undersigned.

Smith Barney Inc.

Dillon, Read & Co. Inc.

Dean Witter Reynolds Inc.

Robertson, Stephens & Company LLC

Salomon Brothers Inc

Volpe, Welty & Company

Bear, Steams & Co. Inc.

CS First Boston

Morgan Stanley & Co.

Sanford C. Bernstein & Co., Inc.

Hanifen, Imhoff Inc.

Josephthal Lyon & Ross

Piper Jaffray Inc.

Shattuck Hammond Partners Inc.

BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV

Société d'Investissement à Capital Variable Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg 8 27278

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1998 at 11,30 s.m. local time at the registered office with the following agenda:

AGENDA

Approval of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND I, SICAV (formatly BOSTON EUROPEAN BOND FUND, SICAV) together with BOSTON ROUTY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, all Luxembourg sociétés d'investissement à capital variable with registered office at 69, route d'Each, L-1470 Luxembourg,

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposel").

(2) the audit report prescribed by article 266 of the Lucembourg law on commercial compenies and prepared by Coopers & Lybrand, 15, rue Sugane Ruppert, L-

Subject to the approval of the Merger Proposal by the Shareholders of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON ETWIND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON INTERNATIONAL FUND I, SICAV in their respective Extraordinary Shareholders' Meeting;

(I) to state the accomplishment of the formelities prescribed by article 267 of the law on commercial companies; (fi) to approve and ratify the Merger Proposal published in the Mérnorial. Requeil Soécial des Sociétés et Associations:

(III) to accept the issue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new compartments as follows:

- BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT, in exchange for the condition of all assets and liabilities of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class 8 share of BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT for each cancelled Class B share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT in exchange for the contribution of all except and illubilities of BOSTON EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT for each cancelled Class B share of BOSTON EQUITY INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new Class S share of BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT for each cancellad Class S share of BOSTON INCOME INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I · U.S. GOVERNMENT INCOME in exchange for the contribution of all easess and habities of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I · U.S. GOVERNMENT INCOME for each cancelled Class B share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV;

BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT in suchange for the contribution of all assets and flebilities of BOSTON ARGENTINE INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL PUND I - ARGENTINE INVESTMENT FUND, SICAV; Class B share of BOSTON ARGENTINE INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION in exchange for the contribution of all assets and liabilities of BOSTON GLOBAL CAPITAL APPRECIATION FUND I - GLOBAL CAPITAL APPRECIATION for each cancelled Class B share of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV;

- BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME in exchange for the contribution of all assats and liabilities of BOSTON STRATEGIC INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME FUND, SICAV;

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting Each share is entitled to one vote.

The Sharsholders on record at the date of the meeting are entitled to vote or give prodes

Proxies should arrive at the registered office of the Company at least 48 hours before the meeting

The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost):

the three last enruel financial reports with menagement reports of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S.
 GOVERNMENT INCOME FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV;

the reports of the Board of Directors of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, BICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV on the Merger Proposel; the report of the independent auditor, Coopera & Lybrand, with respect to the Mercar Proposal

BOSTON ARGENTINE INVESTMENT FUND, SICAV

Société d'investissement à Capital Variable Registered office; 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 39909

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Stareholders of ... A BOSTON ARGENTINE INVESTMENT FUND, SICAV (the "Company") that the SECOND extraordinary ehereholders' meeting will be held before notary on June 6, 1996 at 12.00 a.m. local time at the registered office with the following aganda:

Approvel of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND I, SICAV (formerly BOSTON EUROPEAN BOND FUND, SICAV) NOTESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, all Lucembourg sociétée d'invantesement à capital variable with registered office et 69, route d'Esch, L-1470 Lucembourg.

(1) the report of the Board of Directors in relation to the merger proposal (the "Marger Proposal"),

(2) the audit report prescribed by enticle 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-

Subject to the approval of the Merger Proposal by the Shareholders of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON INTERNATIONAL FUND I. SICAV in their respective Extraordinary Shareholders' Meeting;

(f) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial compenies;

(ii) to approve and ratify the Merger Proposal published in the Memorial, Recuell Special des Sociétée et Associations: (iii) to accept the issue of shares of BOSTON INTERNATIONAL FUNO I, SICAV in the new compentments as follows:

POSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT, In exchange for the contribution of all assets and flabilities of BOSTON ARGENTINE INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND 1 - ARGENTINE INVESTMENT FUND, SICAV in the proportion of new Class B share of BOSTON INTERNATIONAL FUND 1 - ARGENTINE INVESTMENT for each canceled Class B share of BOSTON ARGENTINE INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND: EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class 8 share of BOSTON INTERNATIONAL FUND: EQUITY INVESTMENT for each cancelled Class 8 share of BOSTON EQUITY INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new class B share of BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT for each cancelled Class S share of BOSTON INCOME INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND 1- INTERNATIONAL EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL EQUITY INVESTMENT for each cancelled Class B share of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV;

- BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME in exchange for the contribution of all assets and Rabilities of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV in the proportion of 1 new Class 5 share of BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME for each cancelled Class 5 share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV: BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT in exchange for the contribution of all assets and flabilities of PACIFIC GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class & share of BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT for each cancelled Class 8 share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION in exchange for the contribution of all assets and habities of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION for each cancelled Class B share of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV:

- BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME in exchange for the contribution of all assets and liabilities of BOSTON STRATEGIC INCOME PUND, SICAV in the proportion of 1 new Class & share of BOSTON INTERNATIONAL PUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME FUND, SICAV;

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shereholders present or represented and voting at the meeting.

The Shareholders on record at the date of the meeting are entitled to vote or give pro-Proxies should arrive at the registered office of the Company at least 48 hours before the meeting.

The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without costs:

The fine last annual financial reports with management reports of BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV:

THE REPORT OF THE EAST WEST AND SECURITY INVESTMENT FUND, SICAY, BOSTON EQUITY INVESTMENT FUND, SICAY, BOSTON INCOME INVESTMENT FUND, SICAY, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAY, BOSTON U.S. GOVERNMENT INCOME FUND, SICAY, BOSTON DACIFIC GROWN INVESTMENT FUND, SICAY, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAY, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV on the Merger Proposed.

the report of the Independent audisor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Directors



National Australia Bank Limited

U.S. \$500,000,000 FLOATING RATE NOTES DUE 1997

Notice is hereby given that the Rate of Interest has been fixed at 5.39609% and that the interest payable on the relevant Interest Payment Date Angust 21, 1996 against Coupon No. 2 will be US\$13.79 in respect of US\$1,000 nominal of the Notes, US\$137.90 in respect of US\$10,000 nominal of the notes and US\$1,379.00 in respect of

By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANCO



Avco Trust PLC

Wiley in England and Wales under the Companies Act 1948. Registered number 721502) tel institution under the Register Act 1987 £75,000,000

Guaranteed Floating Rate Notes due 1998 Notice is heavily given that the Rate of innerest for the interest period May 20, 1996 to August 20, 1996 has been fixed at 6.25% and that the interest payable on five relevant futurest Payment Disc August 20, 1996 against Coupour No. 5 will be £157,10 in respect of £18,000 norsinal of the Notes, and £1,571,04 in respect of

CITIBANCO By: Chibank, N.A. (Issuer Services), Agent Block

FT Surveys

COMPANIES AND FINANCE: UK

Railtrack investors reap £100

By Charles Batchelor, Transport Correspondent

Shares in Railtrack, the privatised UK railway line utility, leapt sharply on their first day of trading yesterday to give the average private shareholder an immediate profit of more than £100.

Analysts reported strong demand from institutions and private investors keen to top up their holdings in the company which has taken over the ownership of British Rail's stations, track and signal-ling. Sixty per cent of Railtrack's 11,000

staff applied for shares, the company said.
The shares started trading at 323p, 23p higher than the 2000 first instalment from institutions.

Private investors made a first payment of 190p for their shares. They rose to B mid-morning high of 237p, and after falling back to 216%p rallied to close at 220%p. Shares amounting to 16 per cent of Rail-

track's equity were traded.

The closing price represented a a 16 per cent increase for private investors and a 10 per cent rise for institutions. Private investors who received the average allocation of 350 shares were sitting on a paper profit of £106.75p before dealing costs at

yesterday's close.
"The shares started above our expecta-tions. We had forecast 210p-215p," said Mr David Myrddin-Evans of Kleinwort Benson. "There are plenty of incentives for investors to hang on until the dividend payment [in March] but in the longer term there are political uncertainties."

The main sellers of Railtrack shares were smaller institutions which had their applications scaled down and did not want to build larger holdings through market

purchases, said one analyst.

Private investors sold fewer shares than was usual in privatisation issues, while demand was stronger than expected, said

Mr Justin Urquart-Stewart of Barclays. The Labour party continued its attack on the flotation. "Labour will not allow the misuse of taxpayers' money," said Ms Clare Short, transport spokesman. "It will use the power of regulation, subsidy and

ownership to ensure the travelling public

gets the railway network Britain needs." But Mr Robert Horton, Railtrack chairman, said the company already had to work within a very tight regulatory framework. "I am sure there are people who are uneasy [sbout the sale] but I ask them to be a little bit patient and see how much better, in terms of reliability and punctual ity, the railways will become."

Sir George Young, transport secretary, said he was delighted with the level of demand for Railtrack's shares. "This enthusiastic response demonstrates investor confidence and provides a solid plat-form for Railtrack's future in the private

Ford UK incurs £213m loss as competition bites

By Haig Simonian, Motor Industry Correspondent

Ford Motor, the UK subsidiary of the US vehicles group, reported a deep loss last year because of severe competition in the new car market and the lower value of sterling against the D-Mark.

Ford of Britain announced a pre-tax loss of £213m (\$324m) compared with profits of \$25m in 1994. Sales rose to £6.4bn (£5.9hn).

The company blamed the decline on the competitive car market, with manufacturers offering big discounts to fleet

Purchases by retail custom-ers remained depressed. Ford'e market share in 1995 declined

expansion

is expanding into term assur-ance and health insurance.

The venture, which already

sells personal equity plans by telephone, will begin offering life insurance and health and

launch the plans to the public

With the Peps, Virgin Direct has provided an "execution

only" service without advice

on the products. But with the

life products customers will be

Mr Rowan Gormley, manag-

ing director of Virgin Direct, said its "Survival Plan" pro-

vided the best of both perma-

nent health insurance and crit-

ical iliness plans. Prospective

customers should be able to

receive a quote within 10 min-

utes of calling the service.

RESULTS

offered some advice.

Virgin

Direct

By Motoko Rich

on June 9.

from 21.9 per cent to 21.1 per cent, while sales of its cars dropped 1.9 per cent to 410,722

The 9 per cent fall in the average value of sterling against the D-Mark raised the price of the large proportion of components imported from Germany.

Production was disrupted by revisions to the popular Fiesta and Escort models, and the company bore the costs of launching the Galaxy multipurpose vehicle.

Ford of Britain warned that the UK market for cars and commercial vehicles was likely to remain extremely competitive this year and forecast no significant increase in sales.

1996 elipped marginally to 142,000 units (142,500), failing to keep pace with the slight rise in the UK market. That reduced Ford's share to 20.5 per cent. compared with 21.5 per cent in the same period last year.

However, the company said it hoped new model launches and revisions would help lift sales this year.

The new Ka compact hatchback is due to reach the showrooms in the autumn, and a revised version of the Mondeo mid-sized range should also be introduced.

Ford said it would keep up efforts to improve productivity both internally and at its sup-

RM gains outpace growth of market

By Paul Taylor

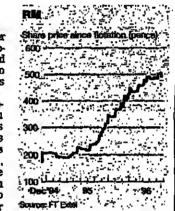
RM, the supplier of computer software, services and equip-Virgin Direct, a joint venture between Mr Richard Branson's ment to education, outpaced Virgin Group and Australian Mutual Provident Society, the growth of the IT market to yesterday report strong gains in profits and sales. Australia's largest life assurer,

The group, which has benefited from a marked shift in the education market towards IBM-compatible machines capable of running Microsoft's Windows based software. existing Peps customers and in pre-tax profits to £1.32m (\$2m) in the six months to March 31, on sales up 34 per cept to £45 2m.

RM's business usually shows ments of the education market a pronounced seasonal pattern, with profits and sales heavily weighted towards the second half. Nevertheless Mr Mike Fischer, chief executive, expressed satisfaction with the performance in the first

"During the six months RM achieved a rate of growth that outpaced the market for IT in education," he said.

Turnover grew in all seg-



served by RM. Sales to secondary schools increased 17 per cent, boosted by the group's new networking products, while sales to primary schools grew 49 per cent partly reflecting the success of the RM Window Box product. Sales in the colleges and universities sector rose 63 per cent and RM has won a £2m contract to equip Welsh primary schools

with computers.

CTR faces £20m fees bill for shake-up

England England

Constant Constant

The same of

By Geoff Dyer

Central Transport Rental, the trailer rental group formerly known as Tiphook, faces a £20m (\$30.4m) bill for professional fees as a result of financial restructuring proposals

unveiled last week.

The bill is comparable to the annual professional fees paid by Eurotunuel, the Anglo-French group which is currently negotisting a restructuring of £8.4bn debts with its 225 banks.

The size of the bill angered sharebolders in CTR, which has a market capitalisation of £15.5m. One of CTR's institutional investors said: "It is water under the bridge now, but it seems an extraordinary amount of money to be pay-

CTR, which nearly collapsed because of buge debts two years ago, said the fees for lawyers, bankers and accountants were so high because it had taken 18 months to negotiate the plan.

Mr Ian Chubb, CTR'e executive chairman, said that the proposals represented "one of the most complicated financial restructurings" to corporate history. Negotiations had to be con-

ducted both with the group's five banks and a committee representing US bondholders. US bankruptcy laws, then had to be spproved by both the London Stock Exchange and the US's Securities and Exchange Commission and were redrafted several

An adviser to the group said the final document "is the size of a telephone book".

Under the plan the banks and bondbolders will swap £213m of debt, 45 per cent of CTR's borrowings, for new sbares, which could leave existing shareholders owning only 15 per cent of the equity.

	Tyraci	ner (Em)		e-tex R (Ew)		5 (0)	Correst payment (p)	Date of payment	- Dividends Corresponding shidend	Total for year	Total les year
Aberdeen Trust	9.17	(8.2)	3.38	(2.75)	2.89	(2.44)	1	July 17	0.7		2.5
Antonovo Yr to Dec 31		(0.324)	1.79	(1.52)	2711	(2.57L)	-		-	-	
British Airways	7,760	{7,177 }	585 V	(3274)	48.4	(26.2)	6.B	July 31	8.9	13.65	124
Countryside 6 miles to Mar 31	78.5	(79.6)	1.03	(2.31)	1.1	(2)	0.75	Sept 4	1.41		2.8
ERF Yr to Mar 30	217.6	(202.4)	1.82	(2.28)	11.77	(16.75)	2.5	Aug 15	2.5	4.5	4.5
Floral Street 6 miles to Mar 31	8.07	(6.12)	0.323	(0.260)	11.2f	(11)			-		1
Many & Overseast 6 miles to Mar 31	4.98	(4.72)	0.2744	(0.3944)	D.421	(0.59)		-	-		0.3254
MEd-States 3 mths to Mar 31	19.4	(19.6)	0.74	(1.05)	0.91	(1.3)					n.uzu
Mat Home Leans 6 miles to Mar 31	21.3	(21.9)	6.2	(6.1)	6.31	(13.1)	1.1	July 31	nii	-	mi
Research Machines 6 miles to Mar 31	45.2	(33.6)	1.32	(1.04)	5	(4.2)	1.6	July 5	1.5		
SEC 6 miles to Mer 31	24.5	(11.6)	1	(0.463)	4.44	(1.79)	2	July 1	1.5		3,75
Seton Yr to Feb 29	84.9	(61.3)	14.55	(10.6)	21.51	(21.2)	5.5	July 31	4.87	7.9	6.9
Toes Cobledges	19.3	(14.8)	2.734	(VIa.i)	7.49	(7.28)	1.6	Aug 19	4.07	1.6	0.9
Investment Trusts	EAT	(p)		estație go (Ess)	B*	5 (54)	Dayment (p)	Date of payment	Corresponding dividend	Total for year	Total tas
Edinburgh Inca	31.4	(28.78)	0.074L	(D.058L)	0.09L	(0.07L)	nii		n#	nii	nii
FEC income Growth	105.9	(B4.8)	1.47	(1.46.)	3.41	(3.41)	1.15	June 28	1.15	3.4	3.25
Johnson Fry Second	-	(-)	-	(-)	-	(-)	1.72	July 16	1.6		6.8
Johnson Fry Utilis	-	(-)	-	(-)	-	(-)	1.780	July 15	1.72	_	7.86
Schroder Sout	_	(-)		(-)	-	6)	2	June 28	1.9		7.85

SUSM stock, thoreased share capital, agree, Affest Interim. O'Third Interim.



on Monday, June 3.

the survey will avaluate the expectations of the Customs Union established on 1st January, the Turkish financial system, their political situation, foreign policies, and industry.

For further Information, contact Kirsty Saunders on Tel: +44 171 873 4823, Fax: +44 171 873 3204 or oversees Circ Costante on Tel: +90 212 279 2648 or Fax: 90 212 264 1761

Ziet May, 1996

NOTICE OF EARLY REDEMPTION ON 24TH JUNE, 1996

BARCLAYS

BARCLAYS BANK PLC £50,000,000 Floating Rate Senior Subordinated Bonds due 2001

NOTICE IS HEREBY GIVEN that Berclays Bank PLC (the "Company") will on 24th June, 1996 redeem all of the outstanding £50,000,000 Floating Rate Senior Subordinated Bonds due 2001 of the my (the "Bonds") pursuant to Condition 4(b) of the Terms and Conditions of the Bonds. The Bonds will be redeemed at their principal amount together with interest thereon accrued to the said date of redemption. The amount of accrued interest payable in respect of each Bond of £1,000,000, calculated in accordance with the said Terms and Conditions, will be £35,042.89.

Payments of principal and interest in respect of the Bonds will be made against surrender of Bonds at the specified office of the Paying Agent, by pounds sterling cheque drawn on a bank in London or by transfer to a pounds sterling account with a bank outside the United States, subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment (but without prejudice to the provisions of Condition 6 of the said Terms and Conditions). Save as provided in the said Terms and Conditions, interest on the Bonds will cease to accrue as from the said date of redemption.

PAYING AGENT Barclays Bank PLC 54 Lombard Street

London EC3P 3AH

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BOSTON BRAZIL INVESTMENT FUND

Société d'investissement à Capital Variable RC Luxembourg B 41963 - 69 route d'Esch - Luxembourg

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the shareholders of BOSTON BRAZIL INVESTMENT FUND, SICAV that the SECOND extraordinary shareholders' meeting shall be held before notary, at 69 routs d'Each, on June 6, 1996 at 3.30 p.m. local time with the following agenda:

1. Amandment of Article 1 to replace the current name by "BOSTON INTERNATIONAL FUND II, SICAV".

Amendment of Article 3 sentence 1 to be reworded as follows:

"The object of the Company is to place the funds available to it in various securities, money market instruments, deposits, liquid assets and other financial instruments, with the purpose of spreading investment risk and affording its characteristic of the management of the Company's

3. Amendment of Anticle S paragraph 3 to be reworded as follows:

"The initial subscribed capital was one million live hundred thousand (1.500.009.-) US Dollars divided into fifty thousand (50.000) fully paid Class B shares of no par value of Boston Brazil investment Fund - Equity, currently Secton International Fund 8 - Brazil Equity*.

4. Amendment of Article 5 paragraph 7 to start the paragraph with the following sentence "Shares are lesued in registered book entry form" and to replace the reference to "four decimal places" by a reference to "three decimal places".

Amendment of Article 11 to delete the third paragraph.

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Amendment of Article 12 paragraph 2 to complete it in line by "except as otherwise agreed upon with the craditors".

Amendment of Article 16 paragraph 5 to substitute the reference to "fifteen days" by a reference to "five business days".

8. Amendment of Article 17 paragraph 2 line 11 to delete the reference "tin Britzill" and to replace it by "_or is a holiday in Luxembourg or elsewhere". 9. Amendment of Article 17 paragraph 6 to be read as follows:

"The value of the assets of the Company is determined for each Class of shares of each Subfund pursuant to the following rules which may be applied to one or several Subfunds, depending on the specific investment policy of the relevant Subfund and subject to the valuetion guidelines that the Board of Directors shall determine from time to time".

Amendment of Article 17 paragraph 6 point 1) to be completed in fine as follows:

"1) Securities listed on an official stock exchange or traded on another organized market or on an organized over-the-counter market may also be valued on the base of the last known sales price, if the same security is quoted on different markets, the quotation of the main market for this security will be used. If there is no relevant quotation or if the quotations are not representative of the fair value, the evaluation will be done in good faith by the Board of Directors or its designee with a view to establishing the probable sales price for such accurities; unlisted securities are valued on the basis of their probable sales price as determined in good faith by the Board of Directors or its delegate".

Amendment of Article 17 paragraph 6 point 4 to add in fine:

"Money market instruments held in certain Subjunds may be valued on the basis of the last available official quotation". 12. Amendment of Article 17 paragraph 6 to add in fine the following paragraphs:

7) certificates of deposit held in certain Subfunds may be valued at their market value; other liquid assets are valued at their nominal value pius accrued interest:

8) forward contracts are valued at the mid-market exchange rate prevailing on the Valuation Date for the remaining period to maturity of the contracts; such valuation is based upon the world-wide interbank currency markets*.

Amendment of Article 17 paragraph 7 to be reworded as follows:

*For the assets which are not denominated in the Subfund's Base Currency the conversion shall be done on the basis of the mid-market exchange rate or on the basis of the Median Exchange Rate (as defined in the Prospectus) for such currency on the Valuation Date pursuant to the Board of

14. Amendment of Article 19 paragraph 1 to replace the reference to "eight business days" by a reference to "five business days".

15. Amendment of Article 19 paragraph 1 to be reworded as follows:

"The Company shall beer all less connected with its establishment as well as the fees to be paid to the investment Advisor, the investment Manager, the Custodian, the Administrative Agent, and the Register and Transfer Agent as well as any fees due to any other service provider appointed by the Board of Directors".

16, Amendment of Article 23 paragraph 2 and 3 to be reworded as follows:

"A Subfund may be terminated by resolution of the Board of Directors of the Company if the Net Asset Value of a Subfund is below US\$ 12.000.000, or its equivalent in any other currency or in the event of special circumstances beyond its control, such as political, economic, military emergencies. In such events, the assets of the Subfund will be realized, the fishlifties discharged and the net proceeds of realization distributed to shareholders in the proportion to their holding of shares in that Subfund. In such event, notice of the termination of the Subfund will be given in writing to registered shareholders and will be published in the Luxemburger Wort in Luxembourg and in other newspapers circularing in jurisdictions where the Company is registered as the Directors may determine. No share shall be redeemed or converted after the date of the decision to floutists a Subfund.

A Subfund may be merged with another Subfund by resolution of the Board of Directors of the Company if the value of its net assets is below US\$ 10.000.000.- or its equivalent in any other currency or in the event of special circumstances beyond its control, such as political, economic or military emergencies. In such events, notice of the merger will be given in writing to the registered shareholders and will be published in the Lucemburger Wort in Lucemburg and in other newspepers circuisting in jurisdictions in which the Company is registered as the Directors may determine. Each shareholder of the relevant Subfund shall be given the possibility, within a period of one month as of the date of the publication or the notice, to request either the repurchase of its shares, free of any charge, or the exchange of its shares, free of any charge, or the exchange of its shares, free of any charge, or the exchange of the shares shall be bound by the decision relating to the merger.

17, Amendment of Article 2S to be completed in fine by the tollowing paragraphs:

Amendment of Article 25 to be completed in anelty the passyrapers:

"A Subfund may be contributed to another Luxembourg investment fund by resolution of the Board of Directors of the Company in the event of special circumstances beyond its control such as political, economic or military emergencies or if the Board should conclude, in light of prevailing market or other conditions, including conditions that may adversely affect the ability of a Subfund to operate in an economically efficient marrier, and with due regard to the best interests of the shareholders, that a Subfund should be contributed to another fund, in such events, notice will be given in writing to registered situreholders and will be published in the Luxemburger Wort as well as in such other newspapers as determined from time to time by the Board of Directors. Each shareholder of the relevant Subfund shall be given the possibility within a period of one month as of the date of the publication or the notice to request tree of any charge, the repurchase of its shares, At the close of such period, the contribution shall be binding for all shareholders who did not request a redemption, in the case of a contributed to another Luxembourg investment fund, the valuation of the Subfund's assets shall be werified by an auditor who shall issue a written french a period of the committee of the committee.

A Subtand may be contributed to a foreign investment fund only when the relevant Subtand's shareholders have unanimously approved the contribution or on the condition that only the shareholders who have approved such contribution are effectively transferred to that foreign fund*. 18, To resolve that the Class B states of BOSTON BRAZIL INVESTMENT FUND - EQUITY are becoming Class 9 states at BOSTON INTERNATIONAL FUND II

There will be no quotum requirement and the resolutions will be passed by a majority of 2°3 of the shareholders present or represent and violing at the meeting

The shareholders on record at the date of the meeting are entitled to vote or give proxies. Proxies should arrive at the registered office of the Company at least 48 hours before the meeting.

By order of the Board of Directors

BOSTON U.S. GOVERNMENT INCOME FUND, SICAV

Société d'investissement è Capital Variable Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 26470

NOTICE OF MEETING

Since no quorum as required by low was present at the extraordinary shareholders' meeting of April 24, 1995, notice is hereby given to the Shareholders of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 5, 1996 at 11,00 a.m. local time at the registered office with the following agenda:

AGENDA

Approval of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND I, SICAV (formerly BOSTON EUROPEAN BOND FUND, SICAV) together with BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, all Luxembourg societés d'investissement à capital variable. with registered office at 69, route d'Esch, L-1470 Luxembourg.

and upon hearing:

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And the second

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(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal"). (2) the audit report prescribed by article 288 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L.

subject to the approval of the Merger Proposal by the Shareholders of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON INTERNATIONAL FUND I, SICAV in their respective Extraordinary Shareholders' Meeting; (i) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies;

(ii) to approve and ratify the Merger Proposal published in the Memorial, Recueil Special des Sociétés et Associations;

(iii) to accept the Issue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new compartments as follows:

BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME, in exchange for the contribution of all assers and liabilities of BOSTON ILS.

GOVERNMENT INCOME FUND, SICAV In the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME FUND for each cancelled Class B share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV;

BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT for each cancelled Class B share of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT in exchange for the contribution of all assets and trabilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INCOME INVESTMENT for each cancelled Class B share of BOSTON INCOME INVESTMENT FUND, SICAV:

BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INTERNATIONAL FUND I - INTERNATIONAL INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT FUND, SICAV:

BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT for each cancelled Class B share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV:

BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT in exchange for the contribution of all assets and flabilities of BOSTON ARGENTINE INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT for each canceled Class B share of BOSTON ARGENTINE INVESTMENT FUND, SICAV;

- BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION in exchange for the contribution of all assets and liabilities of BOSTON GLOBAL CAPITAL APPRECIATION EVEN INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION FUND, SICAV in the proportion of 1 new Class 6 share of BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION for each cancelled Class B share of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV; BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME in exchange for the contribution of all assets and liabilities of BOSTON STRATEGIC INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME FUND, SICAV;

BOSTON STRATEGIC INVOICE and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting.

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting.

The Shareholders on record at the date of the meeting are entitled to vote or give promes

Proxes should arrive at the registered office of the Company at least 48 hours before the meeting. Proxies should arrive a true Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost):

The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost):

THE METGET FRUIDSMIT.

THE BASE BASE BRITISH INCOME REVESTMENT FUND. SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME REVESTMENT FUND, SICAV, BOSTON INCOME REVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV; BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV;

BOSTON STRATEGIC INCOME FUND, SICAV BID BOSTON EUROPEAN BOND FUND, SICAV;

THE REPORTS of the BOSTO of Directors of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, BOSTON EUROPEAN BOND FUND, SICAV on the Merger Proposal.

the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Directors

BOSTON EUROPEAN BOND FUND

Société d'investissement à Capital Variable RC Luxembourg 8 42.216 - 69 route d'Esch - Luxembourg

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1986, notice is hereby given to the shareholders of SOSTON EUROPEAN BOND FUND, SICAV that the SECOND autraordinary shareholders' meeting shall be held before notary, at 69 route d'Esch, on June 6, 1986 at 8.00 a.m. local time with the following agenda:

Transformation of BOSTON EUROPEAN BOND FUND into an umbralla structure (SICAV à compatitments multiples) to be named BOSTON INTERNATIONAL FUND I, SICAV and subsequent amendments of the articles of incorporation as hereinbelow described.

2. Amendment of Article 1 to replace the current name by "Boston International Fund I, Sloav". 3. Amendment of Article S paragraph 1 to substitute the reference to "the net assets of the Fland" by a reference or "the net assets of all Subfunde".

4. Amendment of Article S paragraph 2 to replace the reference to "ECU" by a reference to "US Dollars".

6. Amendment of Article 6 paragraph 3 to substitute "will be" by "wee".

6. Amendment of Anticle 5 paragraph 7 to reptace the reference to "four decimal places" by a reference to "three decimal places". 7. Amendment of Article 5 to add in fine the following paragraph:

"Shares may be of different Subfunds as the Board of Directors shall determine and the proceeds of the lesus of shares of each Subfund shall be invested pursuant to Article 3 hereof in transferable securities corresponding to such geographical areas, industrial sectors or monetary zones and to such specific types of equity or debt securities as the Board of Directors shall from time to time determine".

2. Amendment of Article 7 peragraph 5 sentence 1 to be reworded as follows: "Each share of each Clese to each Subfund is entitled to one vote regardless of the Nat Asset Value of such share within the relevant Cless and

9. Amendment of Article 7 to add in fine the following paragraph:

"Resolutions concerning the interests of the shareholders of the Fund shall be taken in a general meeting and resolutions concerning the particular rights of the shareholders of one specific Subfund shall be taken by that Subfund's General meeting".

Amendment of Article 11 paragraph 3 to replace the reference to "non-European DECD countries" by a reference to "North and South America, Asia, Africa, Australia or New Zastland".

11. Amendment of Article 11 paragraph 4 to be reworded as follows:

"In accordance with Article 43 of the law of 30 March 1988 relating to undertakings for collective investments, the Fund may invest up to 100% of the net assets of each Subfund in transferable accurities issued or Member State or by public intermittened bodies of which one or more E.U. member States are members or by the Argentine government on the condition that the respective Subfund's net assets are diversified on a minimum of six separate issues, and each issue may not account for more than 30% of the total net assets of the Subfund".

12. Amendment of Article 11 paragraph S fine 1 to Insert the reference to "more than 5% of the net assets of each Subfund".

13. Amendment of Article 11 to complete it in line by the following paragraph: "In addition, the board of Directors shall be empowered to create at any time new Subjunde investing in transferable securities".

14. Amendment of the heading of Article 16 which shall read "Redemption and Conversion of shares".

15. Ameriment of Article 16 paragraph 3 line 2 to read: "...Not Asset Value for the relevant Class of the relevant Subfund".

18. Amendment of Article 16 paragraph 5 to substitute the reference to "ECU" by a reference to "the Subfund Base Currency". 17. Amendment of Article 16 last paragraph to substitute "the total net assets of the Fund" by "the total net assets of a Subfund".

18. Amendment of Article 16 in fine to add the lollowing paragraph:

"Any sharsholder may request conversion of all or part of his shares, with a minimum amount of shares which shall be determined by the Board of Directors from time to time, into shares of any class of the same Subhund or of any other Subhund, in each case at the respective set Asset Value of the shares being sold and the shares being purchased quoted on the day of conversion, by written instructions addressed to the registered office of the fund or at the office of the parson or entity designand by the Fund se its agent of the conversion of shares. The relevant Net Asset Value for each Class of shares of such Subhund shall be the Net Asset Value determined on the Valuation Date tollowing the date of receipt of the conversion request or, if such date is a Valuation Date, the Net Asset Value determined on the subsequent Valuation Date. Such conversion shall be free of any charge except that normal costs of administration may be levied".

18. Amendment of Article 17 paragraph 2 and paragraph 3 indent 1-2-3-4, paragraph 6, 9 and 9 to substitute, where appropriate, the reference to "the Fund" by a reference to "Subfund" and to add, where appropriate, a reference to "each" or "euch Subfund" in paragraph 10.

20. Amendment of Article 17 paragraph 3 line 3 to read:

"...the leave, redemption and conversion thereof...".

21. Amendment of Article 17 paragraph 5 to be reworded as follows:

"The Net Asset Value of each Class of shares of each Subfund shall be expressed in the currency of the relevant Subfund as a per share figure and shall be determined on any Valuation Date by dividing the value of the sales of the Subfund corresponding to each Class of shares, being the value of the assets of the Subfund less its liabilities at the time determined by the Board of Directors or its duly authorised designes on the Valuation Date, by the number of shares of the relevant Subfund then outstanding in such Class."

22. Amendment of Article 17 peragraph 6 point 1) to replace the reference to "In non-European OECD countries" by a reference to "In North or South America, Asia, Africa, Australia or New Zeeland":

23. Amendment of Article 17 paragraph 7 to substitute the reference to "ECU" by a reference to "the Subfund Base Currency".

24. Amendment of Article 19 personaph 1 to be reworded as follows: "The Fund shall bear all fees connected with its establishment as well as the fees to be paid to the investment Manager, the investment Advisor, the Custodian, the Advinishrative Agent and the Registrar and Transfer Agent as well as any fees due to any other service provider appointed by the

Custodian, the Admir Board of Directors". 25. Amendment of Article 19 to complete it in fine by the following paragraphs:

"Any costs incurred by the Fund which are not stributable to a specific Subfund will be charged to all Subfunds in proportion to their net assets. Each Subfund will be charged with all costs and expenses directly attributable to it.

The Fund shall be liable for debte to be creditors on all its assets, regardless of the particular Subfund to which the debts may retain, accept as otherwise agreed upon with the creditors.
For the purpose of the relations between the shareholders, each Subfund will be deemed to be a separate entity with, but not limited to, its own contribution, capital gains, losses, charges and expenses".

25. Amendment of Article 20 to delete the last sentence of paragraph 1 and to add a 2nd paragraph worded as follows:

"Financial statements for each Subhand shall be established in the currency in which it is denominated. To establish the balance sheet of the Fund, those different financial statements will be added together after conversion into the currency of the capital of the Fund." 27. Amendment of Article 22 paragraph 1 sentence 2 and 3 to substitute the reference to "ECU" respectively by a reference to "US Dollar (sentence 2) and to the Substand Base Currency (sentence 3)".

28. Amendment of Article 22 paragraph 1 sentence 2 and paragraph 2 to substitute the reference to "the Fund" by a reference in paragraph 1 sentence 2 to "any

29. Amendment of the heading of Article 23 to be read "Liquidation of the Fund or of a Subfund" and of Article 23 itself to be completed as follows "A Subjund may be terminated by resolution of the Board of Directors of the Fund if the Net Asset Value of a Subjund in below USS 10.000.000.- or its aquivalent in any other currency or in the event of special circumstances beyond its control, such as political, economic, military emergencies. In such events, the assets of the Subjund will be realized, the Rublities discharged and the net proceeds of realization distributed to shareholders in the proportion to their holding of shares in that Subjund. In such event, notice of the termination of the Subjund will be given in writing to registered shareholders and will be published in the Luxemburger Wort in Luxemburg and in other newspapers circulating in jurisdictors where the Fund is registered as the Directors may determine. No shares shall be redeemed or converted after the date of the decision to figuidate a Subjund.

A Subjurd may be merged with another Subjurd by resolution of the Board of Directors of the Fund if the value of its net seems is below US\$ 10.000.000,- or its equivalent in any other currency or in the event of special circumstances beyond its control, such as political, economic or military emergencies. In such events, notice of the merger will be given in smiting to the registered shareholders and will be published in the Lucemburger Worl in Lucemburger and in other newspapers circulating in jurisdictions in which the Fund is registered as the Directors may determine. Each shareholder of the relevant Subjurd shall be given the possibility, within a period of one month as of the state of the publication or the notice, request either the repurchase of its shares, free of any charge, ogetiest shares of any other Subjurds not concerned by the merger. At the expiry of this one month's period, any shareholder which did not request the repurchase or the auchange of his shares shall be bound by the decision relating to the merger.

A Subfund may be contributed to mother Luxembourg investment fund by resolution of the Board of Directors of the Fund in the event of special circumstances beyond its control such as political, economic or military emergencies or if the Board should conclude, in light of preveiling market or other conditions, including conditions that may adversely affect the ability of a Subfund to operate in an economically efficient manner, and with due regard to the best interests of the shareholders, that a Subfund should be contributed to enother fund, in such sevents, notice will be given in writing to registered shareholders and will be published in the Luxemburger Work as well as in such other newteppers as determined from time to time by the Board of Directors. Each shareholder of the relevant Subfund shall be given the possibility within a period of one month as of the date of publication or the notice to request, tree of any charge, the repurchase of its shares. At the close of such period, the contribution will be binding only on shareholders who did not request a redemption, in the case of a contributed to another Luxembourg investment fund, the valuation of the Subfund's asserts shall be verified by an auditor who shall leave a written report at the time of the contribution.

A Subfund may be contributed to a foreign investment fund only when the relevant Subfund's shareholders have unanimously approved the contribution or on the condition that only the shareholders who have approved such contribution are affectively transferred to that foreign fund'. 30, To resolve that the Class B shares of BOSTON EUROPEAN BOND FUND are becoming Class B shares of BOSTON INTERNATIONAL FUND I - EUROPEAN

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting, The shareholders on record at the date of the meeting are entitled to vote or give proxies Proces should arrive at the registered office of the Company at least 48 hours before the meeting.

By order of the Board of Directors

BOSTON MULTI-CURRENCY FUND, SICAV Société d'Investissement à Capital Variable

Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 30223

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON MULTI-CURRENCY FUND, SICAV (the "Company") that the BECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 4.30 p.m. local time at the registered office with the following agenda: AGENDA

Approval of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND II, SICAV (formerly BOSTON BRAZIL INVESTMENT FUND, SICAV) together with BOSTON LIQUIDITY MANAGEMENT FUND, SICAV, all Luxembourg sociétés d'investissement à capital variable with registered office at 69, route d'Esch, L-1470 Luxembourg. and upon hearing.

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal"), (2) the audit report prescribed by article 265 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-

subject to the approval of the Marger Proposal by the Shareholders of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV and BOSTON INTERNATIONAL FUND II, SICAV in their respective Extraordinary Shareholders' Meeting;

(f) to state the accomplishment of the formatities prescribed by enticle 267 of the law on commercial companies:

(ii) to approve and raitly the Merger Proposal published in the Mémorial, Recueil Spécial des Sociétés at Associations;

(III) to accept the issue of shares of BOSTON INTERNATIONAL FUND III, SICAV in the new compartments as lollows:

- BOSTON INTERNATIONAL FUND II - MULTI-CURRENCY in exchange for the contribution of all assets and liabilities of BOSTON MULTI-CURRENCY FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND II - MULTI-CURRENCY for each cancelled Class B share of BOSTON MULTI-CURRENCY FUND, SICAV;

BOSTON INTERNATIONAL FUND IL-LIQUIDITY MANAGEMENT in exchange for the contribution of all assets and liabilities of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND III - LIQUIDITY MANAGEMENT for each cancelled Class B share of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV;

There will be no guorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and young at the meeting Each share is entitled to one vote.

The Shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the registered office of the Company at least 48 hours before the meeting. The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost):

the three test annual financial reports with management reports of BOSTON MULTI-CURRENCY FUND SICAV, BOSTON LIQUIDITY MANAGEMENT FUND, SICAV and BOSTON BRAZIL INVESTMENT FUND, SICAV;

The reports of the Board of Directors of BOSTON MULTI-CURRENCY FUND SICAV, BOSTON LIQUIDITY MANAGEMENT FUND, SICAV and BOSTON BRAZIL INVESTMENT FUND, SICAV on the Merger Proposet:

the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Directors

Plunging copper drags other metals down with it In parts of East Anglia rainfall since the start of this year is 70 per cent below normal

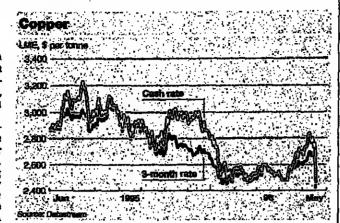
By Kenneth Gooding, Mining Correspondent

The unprecedented plunge in copper prices on the London Metal Exchange continued yesterday, taking aluminium, nickel, lead, tin and zinc down with it.

At one point yesterday copper for delivery in three months had dropped by 12 per cent in only two trading days. "Once they had finished selling copper some people sold every other metal in sight because they feared there might have been a fundamental change in the metals markets," said Mr Wiktor Bielski, analyst at Bam & Co, part of the Dentsche

But the atmosphere of panic did not prevail and the mar-kets steadied in late trading yesterday. "This was to be expected because copper had gone from over-bought to oversold in the quickest time ever." Mr Bielski pointed out.

Copper's sharp fall started on Friday amid various rumours about potential oversupply and e rise in LME stocks. Traders suggested that two US hedge funds issued orders to brokers to sell huge quantities of copper. The equivalent of 100,000 tonnes was sold on Friday and a simi-



early yesterday, they said, leading to some of the liveliest scenes ever witnessed in the LME's open outcry ring.

In early trading yesterday copper for delivery in three months dropped by another US\$142 a tonne to \$2,375, its lowest for 21 months. Consumer buying, which helped to stop the rout in all the metal markets, then helped copper to recover and it closed at \$2,428.50 a tonne, down \$84.50.

Today all market eyes will be on the LME copper stock figures which are expected to show a fall. "A decrease in stocks could offer copper some resuite following the excessive declines of the last couple of lar amount was disposed of trading sessions," Mr Martin

Squires, analyst at Rndolf Wolff, part of the Noranda group, suggested. Among the other LME met-

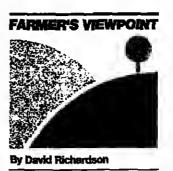
als, aluminium was hardest-hit yesterday, three-month metal falling by 5 per cent to a 21month low of \$1,535 a tonne at it back to \$1,580.25 at the close. Mr Nick Hatch at the Flemings Global Mining Group, said: "While it is fair to have suspicions that copper was being manipulated upwards and deserved to fall, the drop in other metals prices was just a knee-jerk reaction. . . There has been no fundamental change in the global economic ontlook, which is looking

Drought casts shadow over UK crops

The rain that fell in modest amounts across much of the UK last weekend was welcome. It freshened dusty fields and left some moisture on the surface of the soil. But it did little to correct the sizeable moisture deficit that had built up over many months of cool, dry

That, anyway, is the situa-tion here in Norfolk. And from personal observation as I have travelled around the country, I know it to be substantially true of most of the eastern half of England. In the north and m Scotland there has been plenty of rain; in the west and in parts of the south of England precipitation has been adequate. But in the bread basket of East Anglia many cereal crops are beginning to show signs of drought stress. To put that into perspective

let me explain that bere on our farm in central Norfolk we have had only about six inches of rain since winter-sown cere als began to be planted last September. Were we to have the local average annual rainfall of around 23 inches for the 12 months to next September, an inch a week would need to fall through the entire summer. Past experience suggests that this is highly unlikely to



To put it another way, on this farm we have had only about 30 per cent of normal average rainfall since the start of the year and almost none since the crucial period of spring planting and fertilising. This has meant, in many cases, that seed germination has been patchy and that granules of nitrogen fertiliser spread on to the land in March and early April had not, until the past few days, been washed into the soil and down to plant roots. Such crops have therefore been starved of the main nutrient needed to promote growth. The combination of this with lower

Worst of all are late planted autumn cereal crops whose development has been retarded more than early sowings. The

and pretty sick.

than average temperature has left them looking thin, yellow

eases such as mildew on these late crops and growers now face difficult decisions. Should they treat them with fungicides in the hope of controlling the diseases and improving yield potential, or should they

assume that yields will be well down whatever is done and compensate in advance for the expected lower outturn by cutting input costs and not spraying? Decisions will depend on moisture and warmth levels over the next couple of weeks. For May is the month when adequate moisture is most important to potential yield. ereabouts, bowever,

the spring soil mois-ture deficit is close to four inches in spite of recent rain and some of our crops are beginning to show it. A near neighbour is said to beve reviewed his budgets last week and reduced his anticipated cereal yields by 30 per cent. 1 hope he has been too pessimistic but fear he may be about

Farming friends visiting Britain from France, Germany and Scandinavia last week told me that they had similar worries about the cereal crops across some of their main arable production areas - though

cold, dry weather has favoured Spain and Portugal have had the development of fungal dismore rain than usual.

Root crops like potatoes and sugar-beet are not yet at such critical stages of growth or moisture demand. But they too have been retarded by the cold dry spring. As plants begin to increase in size and leaf area they will need more moisture and most specialist potato growers, in particular, will be planning to irrigate. Already, however, water authorities are beginning to talk of imposing irrigation restrictions or bans to save water for domestic and industrial use. Should such restrictions occur during the summer yield and supply potential for potatoes together

Moreover, as some people have already commented, it is difficult to escape comparisons with the spring of 1976. Mature readers will remember the sugar sbortage of that year caused by a combination of widespread drought across the beet growing areas of Europe, excessively high temperatures during the summer and attacks by aphids ~ insects that carry the debilitating sugar beet disease, virus yel-

etable crops could be seriously

affected.

lows.

The main differences

ever, are that this spring has been cooler and although this has slowed growth it has, paradoxically, caused less early damage than would have been done by a hot spell. Moreover, the likelihood of serious aphid attack is thought to be quite low this year because fewer of them than usual survived the cold winter. Furthermore, sugar stocks are not at the critically low levels they were in

Nevertheless, we appear to be beading for reduced harvests of some key crops across the main production areas of Europe. As I indicated in this , column a couple of weeks ago, the situation across much of the midwest of the US is similar and carryover stocks of cereals in particular are at dan-

Tha US has already abandoned cereal acreage set-a-side for good, while the European Union has recently confirmed that it intends to retain it as a means of controlling produc-

Ultimately, however, the climate may dictate the policy. Without substantial rain and higher temperatures across much of Europe during the next few weeks we could, by July and August, be contemplating a much depleted har-

Hamanaka rumours helped to trigger sales

By Kenneth Gooding, Ining Correspondent

It says a great deal about the influence Mr Yasuo Hamanaka is perceived to have had on global copper trading that rumours he was to leave his job at Sumitomo Corporation in Japan helped to trigger big sales of the metal on the Lon-

don Metal Exchange. The rumours suggested that Sumitomo had become tired of being mentioned every time something untoward happened to the LME's "flagship" copper contract and that it would in future concentrate solely on

trading physical copper. The prospect of the Japanese group unwinding all its futures con tracts belped to fuel the panic that has been a feature of the copper market for the past two trading days.

Sumitomo confirmed yester day that Mr Hamanaka is changing his role within the corporation, where he was previously in charge of copper trading, and will no longer supervise day-to-day copper operations. But it said his role had been widened and he had become assistant to the nonferrous divisions general manager. From now on be would

handle big metal projects, a Sumitomo official explained. His successor, Mr Takayuki Kameoka was from the copper tubing division and well versed in futures trading techniques.

Sumitomo is one of the world's leading traders of physical copper, handling between 500,000 and 750,000 tonnes a year for clients, mainly in Asia and the Far East but increasingly in Europe too. Like many other Japanese corporations, Sumitomo is forbidden to speculate in commodities markets. Nevertheless, it does hedge its copper market dealings by trading futures and options

GRAINS AND OIL SEEDS

along with buying copper for immediate delivery. In this way it exerts e tremendous influence on the market. Sumitomo was first in tha

epotlight during the LME copper market squeeze in 1993 but Mr Hamanaka denied manipulation was going on. At that time Mr Hamanaka's name was frequently linked with that of Mr Charlie Vincent, half-owner of the Winchester Commodities group, one of the UK metal brokers used by Sumitomo. Coincidentally, Mr Vincent gave up his directorship of Winchester last

■ COCOA LCE (E/tonn

Norway's Fountain Oil signs up for \$40m joint operating deal in Albania

Albania's state oil company, Albeetrol, and Fountain Oil of Norway signed a 50-50 joint operating agreement on Friday for the Gorisht-Kocul oil field in south-west Albania. The deal foresees a \$20m investment on Fountain's part over the next four to five years. Mr Arild Boe, Fountain's executive vice president for production, says he expects

output from the field to triple

from less than 1.500 harrels a receive final approval from the day to about 3,500 b/d. Recovery, Mr Boe says, will increase ten-fold with the planned rehabilitation of oil wells and enhanced recovery scheme. To increase production in the field, which has a strong oil-water content, he says, Fountain plans to drill 50 borizontal wells over the next four to five years. The oil field, discovered in 1967, has reserves estimated at about 30m barrels.

The agreement still has to

MEAT AND LIVESTOCK

INE-CATTLE CME (40:000lbs; conts/bs)

64,500 -0.100 64,950 64,500

LIVE HOGS CME (40,000/bs; cents/fbs)

Sett Day's Price change Migh Law Vol

58.875 -0.300 59.875 58.450 8,183 26,037 82,700 +0.225 83.250 81,950 3,836 28,283 64,575 -0.325 85,400 84,175 2,333 20,714 82,325 -0.375 83,000 62,250 977 10,633

Albanian council of ministers. Fountain has agreed, after this approval, to secure financing for Albpetrol to meets the costs of its 50 per cent of the deal. According to Mr Boe, Fountain is in discussions with the European Bank for Reconstruction and Development on the provision of this financing. Otherwise, he says, Fountain will finance the Albeetrol investment and recover the cost

through production profits.

JOTTER PAD

This is the second joint operating agreement undertaken by Albpetrol. The first, with Premier Oil, Anglo-Albanian Petroleum, for rehabilitating existing oil fields and raising production in the southern Patos Marina oil field, is still in the experimental phase.

Officials from Albania's National Petroleum Agency say a similar agreement is ready to be signed with the Australian Kitari Grown for the Ballsh and Cakran fields.

<u> 2</u> 1779 - -

COMMODITIES PRICES BASE METALS Precious Metals continued LONDON METAL EXCHANGE (Prices from Amalgameted Metal Trading) M ALUMINUM, 99.7 PURITY & per torne High/low AM Official Kerb close 1518-20 Open Int. Total delly tumover 117,817 III ALUMINIUM ALLOY IS per ton 1296-301 1342/1900 1270-85 5,239 2,062 Total daily turnover III LEAD (\$ per torme) Close Previous High/low AM Official 815-0 35,496 9,191 Total daily turnover ■ NECKEL (\$ per torme Close Previous 8045-50 7940-50 8090-100 AM Official 7825-30 III TIN (\$ per torme) Close Previous High/low AM Official Kerb close 6195-205 6285-95 9190-85 17,464 8,768 ■ ZBIC, special high grade (\$ per Close Previous High/low AM Official 1028-0 1055-6 1023-4 III COPPER, grade A (\$ per tonne 2428-9 2512-4 2472-7 2570-75 2420/2400 2400-05 Total daily tumover III LIME AM Official 9/6 rate: 1,5125 III HIGH GRADE COPPER (COMEX)

-4.0 118.00 112.00 520 3.498 -4.0 118.00 108.50 22.932 20.800 -3.75 112.00 108.00 21 732 -3.00 112.00 107 \$\infty\$ 60 513 PRECIOUS METALS. (Prices expolled by N M Rothschild) \$ price 391.10-391.50 391.70-392.10 391.65 390.85 391,70-392,10 IN UNI EADED GASOLIN an Gold Leading4.57 e m Nation (Vs USS) Loco Lain M 12 months 3 months p/troy 0 249.65 254.20 \$58,75 Silver Fix

\$ price 321-394 401.90-404.45

555.00

£ equiv. 258-260

S months

Gold Coins

Krugerrand Maple Leaf

-4.20 121.00 114.00 1.956 3,639

GOLD COMEX (100 Troy oz.; \$/troy.oz.) WHEAT LCE (E per torne) 393.3 391.1 23,039 69,589 127 5,900 -1.8 400.5 399.5 878 33,126 PLATINUM NYMEX (50 Troy oz.; \$/troy oz.) -27 402.0 398.1 4,364 20,027 -27 403.0 401.5 243 4,180 -27 - 3 982 -27 408.5 407.0 72 1,481 M PALLADRUM NYMEX (100 Troy oz.; \$/troy oz.) 129.00 -4.25 131.50 128.50 465 3,788 130.20 -4.35 133.00 130.00 223 4,410 131.15 -4.50 131.75 131.75 1 578 600 8,778 SILVER COMEX (5,000 Troy oz.; Cents/troy oz.) 524.2 -6.0 527.0 526.0 78 136 -6.2 534.5 527.9 21,156 65,362 -6.2 536.5 532.0 962 14,367 -6.3 546.5 532.0 962 14,367 -6.3 543.5 540.0 365 10,056 -6.4 549.0 549.0 47 3,678 **ENERGY** III CRUDE OIL NYMEX (1,000 barrels. S/barrel) +0.98 21.85 +0.81 20.45 +0.72 19.75 +0.61 19.25 +0.63 18.85 18.80 45,812 93,232 18.15 14,701 55,190 +0.61 18.25 17.85 7,196 35,145 +0.63 18.85 17.72 1,407 22,250 +0.60 18.80 17.80 1,052 17,338 E CRUDE OF TPE CS/berref 39,475 94,404 9,452 99,404 3,377 12,312 1,525 8,729 99 5,056 457 12,634 WA WA 18.33 +0.79 18.45 16.78 17.93 +0.71 18.85 16.58 17.72 +0.60 17.72 16.59 17.55 +0.67 17.55 16.50 17.25 +0.67 17.25 16.40 +0.52 17.15 16.30 M HEATING OIL NYMEX (42,000 US galls.; ofts galls.) Latest Day's price clarge High 4,848 18,519 0 3,025 14,382 0 1,687 9,301 0 747 5,036 0 98 5,298 21,321 169,329 Self. Dey's price change High Law Vel 18125 — 161.50 155.25 13.570 14.57 188.00 +0.55 158.25 152.00 5.590 10,163 157.00 -0.25 157.25 150.75 1,838 6,213 187.75 +0.25 157.75 153.00 553 4,002 158.00 — 158.25 150.00 192 1,437

2.330 +0.048 2.340 2.310 9.917 24.032 2.405 +0.071 2.415 2.380 5.980 27.972 2.410 +0.073 2.415 2.385 2.128 17.118

+2.17 65.90 81.00 18.358 22.748

748 15,738 484 11,950

9,579 19,974 5,109 14,818 554 4,067 11 1,516

2345 +0.658 2345 2320 2315 +0.034 2325 2305

51.20 +2.12 63.70 59.26 50.70 +1.77 61.20 57.00 52.85 +1.65 54.00 54.60 64.00 -0.20 58.00 53.50

2345 +0.033 2345

NYMEX (42,000 US gain; oits gain.)

125.75 +0.10 126.00 125.40 11 127.75 - 128.00 127.25 58 115.40 -1.10 118.25 115.25 61 119.40 -1.00 119.50 119.25 37 121.35 -1.05 121.50 121.25 WHEAT CST (5,000bu min; cents/60to bushel) 625.00 -51.00 686.00 621.00 32 194 585.00 -4.00 588.50 576.00 15,406 55,945 581.75 -3.00 586.00 575.00 2,880 16,613 587.00 -4.00 590.00 580.00 3,168 18,377 578.00 -3.50 581.00 575.00 115 1,529 523.00 -6.00 523.00 623.00 21 175 583.00 -6.00 523.00 623.00 21 175 MAJZE CBT (5,000 bu min; cents/56lb bushel) 529.00 +0.25 530.00 505.00 497 1,383 503.00 -1.50 508.00 492.50 35,843 156,073 418.75 -12.00 421.00 418.75 20,967 78,388 949.50 -12.00 335.00 346.50 39,177 154,139 354.75 -11.75 357.00 354.50 1,634 18,574 357.00 -12.00 357.50 357.00 382 2,786 140,656 428,205 BARLEY LCE (2 per tonne) 118.15 +0.85 116.00 116.00 33 108.80 -1.00 114,50 SOYABEANS CST (5,000bu min; couts/60b bushel) 800.00 -11.75 802.50 792.50 890 598 806.00 -12.75 815.00 796.00 28,894 78,955 805.00 -13.00 810.00 798.00 1,892 12,586 785.60 -11.25 788.00 779.00 925 6,970 772.75 -10.25 778.50 763.00 14,493 779.00 -10.50 782.00 773.00 409 SOYABEAN OIL CET (60,000bit; cents/b) 25.50 -0.84 25.95 25.30 222 319 26.74 -0.86 27.30 26.45 6,459 52,766 26.94 -0.84 27.20 25.70 705 11,510 27.13 -0.80 27.20 25.90 327 5,580 27.20 -0.82 27.40 27.05 327 4,325 27.55 -0.51 27.75 27.25 1,277 19,781 SOYABEAN MEAL CET (100 tone; \$/ton)
 245.0
 -3.8
 245.7
 242.5
 710
 000

 247.0
 -4.0
 251.0
 245.5
 11,752
 50,478

 247.9
 -4.2
 249.0
 245.0
 2,405
 11,695

 245.5
 -3.5
 242.2
 243.5
 585
 7,485

 242.5
 -3.5
 242.3
 240.5
 2,712
 18,509

 242.9
 -2.8
 243.0
 240.5
 2,712
 18,509
 POTATOES LCE (E/tonne) 225.0 1383 1268 -17 -7 1380 1385 158.25 -0.25 157.00 157.00 3 1,417 24,819 44,672 E NATURAL GAS HYNEX (10,000 mm8h; Singelia) FUTURES DATA

Tea The Broker's Association reports, strong general demand continued. Landed bright liqueting East Attents sold well and prices trequently advanced 1 to 2 pence. Mediums also met good competition at taily tinn to dearer rates. Offshore active demand with prices often dearer. Duotations: best evaluable 142p/liq. good 150p/liq. good medium 121p/liq., medium 112p/liq., low medium 90p/liq. from; The highest price realised this week was 142p/liq. For a Kenna 61.

1037 1,233 34,180 1048 161 19,260 6,009183,619 1350 6,004 32,490 1368 1,465 19,761 1401 832 18,364 1417 194 13,521 1440 12 6,975 1400 1403 1421 1430 1455 7,572 98,845 ■ COCCA (ICCO) (SDR's/tome) Prev. day 1088.52 COFFEE LCE (S/tonne) +5 2024 2010 124 1,203 -21 1958 1930 2,505 16,719 -20 1950 1917 452 7,210 -27 1944 1810 53 1,794 -35 1920 1889 30 1,794 -38 - 779 2013 1933 1619 1913 ■ COFFEE *C* CSCE (37,500lbs; cents/lbs)
 127.00
 -2.80
 130.50
 128.50
 137
 146

 120.00
 -2.65
 122.45
 123.90
 3,754
 19.209

 124.90
 -2.45
 127.00
 122.50
 610
 5,822

 122.50
 -1.05
 124.75
 121.00
 223
 2,957

 121.00
 -1.25
 122.50
 178.30
 45
 935

 120.00
 -2.25
 120.00
 120.00
 19
 337
 4,778 29,528 COFFEE (ICO) (US cents/pound) Prov. day 113.76 112.21 \$40.5 -1.0 \$34.0 \$31.0 1,013 10,650 \$40.8 -0.7 \$51.0 346.1 202 5,784 \$37.0 -0.0 339.5 337.5 139 3,472 \$31.0 40.2 334.0 331.0 120 2,295 \$20.9 +0.5 333.0 330.0 4 1,183 +0.2 330.0 329.8 # SUGAR "11" CSCE (112,000lbs; cents/lbs) 11.00 +0.00 11.58 11.30 28,114 57,256 10.91 +0.05 10.95 10.77 6,519 37,698 10.84 -0.01 10.97 10.76 6,559 28,678 10.79 +0.02 10.60 10.72 1.822 8,78 10.73 - 10.74 10.85 801 5,048 10.87 - 10.69 10.82 563 2,136 80.88 -0.82 81.45 80.75 8.837 24.223 80.88 -0.82 81.40 80.70 980 4.215 80.70 -0.53 81.15 80.50 3,050 28,442 81.53 -0.52 81.00 81.40 84 3,409 62.15 -0.45 - 11 1.538 Jel Get Dec May Jel Total 11 1,558 7 637 16,728 84,771 ■ ORANGE JUICE NYCE (15,0000s; cents/fbs) 120.50 -3.00 122.50 120.00 2,151 11,721 120.10 -2.65 122.50 125.00 125.0 140.57 341 4.573 126.2 -2.40 118.00 116.45 149 1,331 114.55 -1.65 115.75 114.20 141 3,581 116.45 -2.05 118.00 116.95 22 258 118.45 -2.05 - 2.0 150 150.00 16.95 1

VOLUME DATA Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CST, NYCE, CME and CSCE are one day in arrears. Volume & Open Interest totals are for all tracked INDICES # REUTERS (Base: 18/9/31=100) May 20 May 17 month ago 2122.6 2147.6 2115.6 E CRS Patures (Base: 1967=100) GSCI Spot (Base: 1970=100)

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28 Properties (6)
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Solution to Saturday's prize puzzle on Saturday June 1. Solution to yesterday's prize puzzle on Monday June 3.

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ARIZONA

Bouncing back with new resilience

While urban sprawl threatens the desert environment. diversification of the economy is strengthening the state. Report by Christopher **Parkes**

ops.

aising Arizona has been a messy husiness. But the conditions which governed the Grand Canyon state's stuttering post-war haul from economic obscurity no longer exist. The one-time business backbone of cyclical copper, cotton, citrus and federal defence contracts now plays a less prominent supporting role in a widely diversified econ-

The cheap-credit, speculative binge which spawned crisis in the late '80s has evaporated along with a dozen of its promoters in the savings and loans industry.

Gone, too, are the old-guard business and political leaders who presided over a property crash and the flight of thousands of skilled defence workers. The ashes-to-ashes scenario conjured up in the media has become redundant.

The number of businesses in Arizona grew 20 per cent in the first five years of this decade. Benefiting from the proximity to California's Silicon Valley, the state has attracted flocks of high-tech manufacturers, including Motorola, Intel, currently completing a giant chip plant, and Sumitomo Sitix. Local concerns in similar fields, such as Microchip Technology, have grown as a result

of this enriched environment. Arizona's job creation rate last year increased almost 5 per cent, with work found for 80,000. Payroll growth is slowing but is still expected to contime at more than double the national rate, according to Arizona State University.

forecast to slow, driving personal income growth to a mere 4.5 per cent this year after more than 9 per cent in 1996. Unemployment rates are con-eistently below the national average statewide, but only about 3.5 per cent in Maricopa County and the Phoenix area home to 60 per cent of the population.

The one crucial economic indicator which seems guaranteed to keep rising is population, which is going up by more than 100,000 this year under the influence of a young, fertile population (half are under 44) and immigration.

The great undefinable - quality of life - draws most newcomers, be they companies or individuals. They come for open spaces, less stress than in most urban centres, a cost of living index 20-odd points lower than in California, and median home prices 15 per cent below the national everage.

Many come with preconceptions which are quickly dispelled. By some accounts only one in every three immigrants stays. Some are driven out by intense summer heat. But the main cause, says Jerry Colangelo, Phoenix sports magnate, is that "there are no pots of gold to be found here".

Behind these attractions, which help place Arizona with Nevada and Florida consistently among the fastest growing states in the US, lies the new resilience of the economy. Elliott Pollack, a private sector economist and real estate consultant, claims Phoenix has the most diversified hase in the

Some 12 per cent of the jobs are in manufacturing and 40 per cent of those are in hightech businesses, he says. Business services account for most of the 30 per cent of employment in the services sector at large, while mainstay tourism "Is growing like wildfire".

Mr Pollack, who maintains a high profile in state business

The rise in wages is also circles, can offer "no formulaic response" to why the place goes on growing. He includes the air of informality and government's positive attitude to business among the elements constituting quality of life. Former Californians add common civility, and frontier justice. "In LA if you shoot an intruder in your house, then you're in all aorts of trouble. Here, it's the intruder's problem," says

Ex-Manhattanite, Matt Crow. president of the Arizona Biltmore resort, offers an almost paradoxical opinion. "The driver of this economy is general affluence," he says. "People come here because they are rich enough to choose where they want to live."

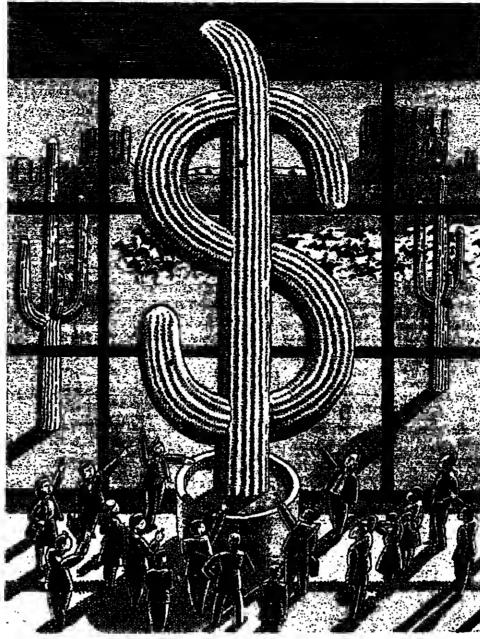
The notion that the desirability of life in Arizona life is worth paying for and therefore makes for an employers' market in the pay stakes seems to be supported by data. Phoenix salaries for nationally soughtafter employees such as computer programmers, software engineers and finance and accounting experts, are well below the national average.

ccording to one labour A market pundit, part of the reason is the persistent perception of Phoenix as a small town with few corporate headquarters. "Smaller corporations can't afford top salaries," he said.

The region has also benefited from recession elsewhere, especially in California, source of almost 30 per cent of its annual immigration. But if national recovery gains pace, Arizona faces the prospect of some substantial wage inflation in its key new industries.

At the moment, this is not considered to be much of a priority, but it is yet another matter for concern on a growing list of the drawbacks, real and potential associated with the fact that Phoenix is no longer a small town.

It is now the seventh largest



city in the US, and is showing signs of growing pains, its relatively disadvantaged low-income citizens, many crowded in the inner city, have no real public transport alternative to expensive cars to ferry them to and from their jobs.

Immigration, mainly from bordering Mexico, is bolstering the Phoenix area's Latino population rapidly towards 20 per cent of the total. Even in 1993, more than 15 per cent of the state population lived below the official poverty line, compared with 18 per cent in California and less than 10 per cent in arch-rival Nevada.

Despite "frontier justice" and the activities of Sheriff Joe Arpaio's innovative civilian posses, property crime rates are higher than in California, although violent crime is half as prevalent

At an organisational level, the 20-odd municipalities of gobbled up by red-tiled hunga-

Maricopa County make for bureaucratic conflict and one of the most complex business and local tax environments in the country.

But top of this list of issues to be addressed is the cyclical surge of protest against urban sprawl. The debate is focused on an apocryphal claim that the desert environment Phoenicians say they love - and the tourists come to see - is heing

lows, factories, offices and shopping malls at the rate of an acre every hour.

While there is probably an alement of dog-in-the-manger-ism at work among locals who urge limits on growth, academic and husiness ectivists recognise that sprawl and its side effects, including pollution and congestion, need to be

The region's economy is fast developing an internal dynamism which seems likely to maintain growth at high rates in the long term even if corpo rate immigration from other states slows as expected.

Elements fuelling growth range from the presence in Phoenix of teams and grand stadiums for America's four major leagus sports, to the ternational ambitions of the PetsMart retail chain.

After e long wait, Sky Harbor International Airport now draws direct long-haul flag-carrier flights from Germany and Britain. The inevitability of recovery in California, and expansion in Utah, Colorado and New Mexico will increase the regional market for Arizonan goods and services.

The new managers installed in established Phoenician corporations after the late '80s crunch, and the newcomers who came with the trans plants, have seized the initiative. They are active in the search for answers to the problems caused by growth. They dominate co-ordinated development projects such as the Greater Phoenix Economic Council, named last year alongside Northern Development Company, of Newcastle. England, as one of the top 10 growth promotion hodies in

They agree that part of Artzona's appeal lies in its pioneer ehullience, which may need discipline. "This place is like a two-year-old labrador," says the Blitmore's Mr Crow. "It thinks it's still a puppy, but it's a full-grown dog."

There is a danger that the sharpening debate over the state's economic policies and the management of growth may polarise opinion and divide the community.

As things stand, most indications suggest that Arizona born, and now raised - is growing up.

COLORADO

THERE'S NO BETTER PLACE

TO GROW IN THE SOUTHWEST.

IN THIS SURVEY

 Canyon Forest Village: a property specialist has come up with a plan aiming to ease tourist congestion around the Grand Canyon
Pollution: the environment in end around Arizona's cities is beginning to suffer Urban sprawt: a rapidly

rising population is putting demands on housing and

pages 2-3 infrestructure Overview: a look at the advantages and disadvantages of the state as a corporate location Profiles of Arizona-based

America West: the state's local carrier is building up its fleet of aircraft Fender: the world famous gultar maker finds Arizonan attractions waning Apolio Group: the largest for-profit educational company in the US Del Webb: its retirement

 Joe Arpaio, Maricopa County's tough-guy sheriff takes a no-nonsense approach to crime

developments are big

Jerry Colangelo, the sports magnate who owns the Phoenix Suns basketbal team is an influential figure in

Profile: the Dally Racing Form, the Arizona-based newspaper covering thoroughbred racing in the

 Property: prospects for the sector look good page 6

The Navajo Nation
 Hopi-Navajo relations

Tourism Overview: scorching temperatures are not deterring a growing number of tourists Hotel guide

 Tips for travellers page 8 Editorial production: Sarah

Murray Front Illustration: Robin Design: Robin Coles



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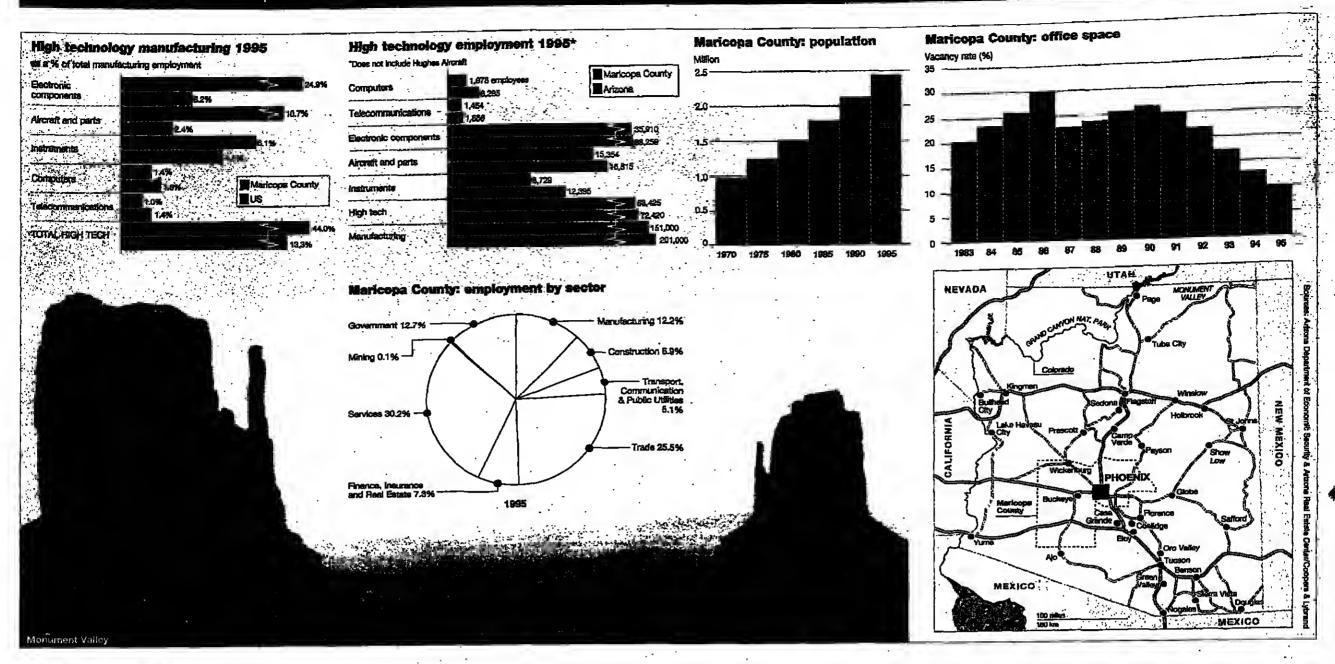


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2 Arizona: Urban development



■ Profile: Tom DePaolo

Fighting entrenched interests

The property specialist's plan aims to ease congestion at the Grand Canyon

In a state humming with debates on planning and sprawl, arguably the most poignant, instructive and bitter is the confrontation being rehearsed on the brink of Arizona's grandest natural marvel: the Grand Canyon.

It embraces environment, economy and federal and state authorities. It pits established business interests against unstart newcomers. At issue is a proposal to

build Canyon Forest Village, a privately-financed resort, retailing, cultural and residential centre to marshal and entertain the visitor hordes and house the workforce needed to serve them.

The seed was set in the late 80s during a visit from Tom DePaolo, a property specialist,

who was scouting for a site of all things - to build a factory outlet mall. Often large and garish, such malls attract bargain hunters looking for

quality branded clothing and other items at "factory" prices. But the closest town to the canyon, Tusayan, had no land and in any case "was disinclined to work with outsiders," he says. Still, Tusayan's "random spot and atrip development" of an III-assorted array of expensive motels, hotels,

bars, captured his imagination. So, too, did the queues of tourists and the forecasts.

On peak days the canyon draws 35,000 visitors and the annual total is about 5m. Numbers have grown an average 7 per cent for the past decade. Using this as a basis, the worst-case forecast shows the annual total could grow to 14m by 2010. Mid-range predictions put the figure at about 7.5m.

Even now, on busy days,

sonvenir shops and burger traffic jams stretch for miles, and the official visitor centre aomehow draws 9,000 people daily even though it has fewer

than 150 parking spaces. Mr DePaolo - backed by a consortium which includes the president of CTI, one of the largest trucking groups in the south west, and Italy's Percassi hrothers from Bergamo who operate one of the world's biggest Benetton franchises - has since 1994 spent more than \$7m on preparing his ground.

He has bought or taken under contract a collection of private land parcels within the publicly-owned Kaibab national forest bordering the canyon's south rim. He has proposed exchanging these for a smaller unit of forest land close to the canyon - and Tusayan - on which he wants to build his village.

Studies on the environmental effect of the project are still under way. There will also have to be planning hearings, and Mr DePaolo expects more lawyerly opposition from the Tusayan side should his scheme win official approval. He has already been embroiled in two cases. But if all goes well, he hopes

to start building by the end of the decade with a budget of up to \$700m.

Signs are that, pending the environmental studies, the scheme has broad, if cautious, support from environmental groups. The US Forest Service is on record as wanting to consolidate the Kaibab in-holdings to preserve the natural integrity of the park area. A recent official study showed a need for 700 housing units for federal and tourist industry work-

Mr DePaolo's project purports to address all these concerns at no cost to the public purse. Loss-making rental accommodation, and a school, reserved strictly for park and tourism employees, will be sabsidised by the envisaged botels

A giant marshalling and car

parking area, from which trippers could be transported to canyon viewing points by shuttle buses would keep private vehicles at bay.

The project received an important boost in March when Mr DePaolo attracted a new partner: the Museum of Northern Arizona, which announced a scheme to build a 100-acre visitor "orientation yon Forest Village.

The museum's trustees say the centre will enhance visitors' experiences with educational displays and services embracing the canyon and the nine Native American tribes

still living on the Colorado Pla-"The museum is the perfect institution to complement what we want to do," says Mr

DePaolo. Although his consortium plans to pay for the centre's

construction, the museum will provide the services. "It is the perfect illustration of a public/ private partnership," he adds.

Even if his hopes for the Canyon Forest Village are dashed, the orientation centre will still be built, museum officials say. Development could go ahead on one of the in-holdings already within Mr DePaolo's control, which may be the last thing the Forest Service

■ Pollution

Fug clouds the future

Smog around Phoenix is only one indication that the environment is starting to suffer

Phoenicians started polluting their desert atmosphere long before the internal combustion engine made its presence smelt to any degree.

Arizonan air formerly considered beneficial to the tubercular or the merely sensitive, was quickly laden with irritant pollens as the civilising influences of European-style gardening, free-flowering allen plants and the watering can

were imposed on sand and grit. Now, as industry and people pile in with their cars, trucks and waste burdens, Phoenix stands out among leading US cities as one of the handful where air quality is worsening. Like Los Angeles, the smog-

and surrounding cities lie in a valley which makes it prone to the phenomenon of atmospheric inversion which traps pollutants. One result was that the valley's smog or ozone lev-els exceeded federal limits on 27 days in the first nine

months of last year. The combination of road and construction traffic and the desert winds which can fill the air with blown sand and desert dust worsen conditions.

The car, source of 96 per cent of the carbon monoxide in the Phoenician atmosphere, is also considered as a fixed factor in much environmental policy

analysis. Some suggest the only thing to do is to wait until the zeroemission vehicle becomes a technical and economic reality next century. Lack of disincentives for drivers or public transport alternatives, and town planning methods, mean

giest city in the US, Phoenix the number of vehicle miles travelled in the valley daily is growing at more than double

the rate of population increase. Another factor is that in Arizona's free-market, free-wheeling political atmosphere, subsidies for public services are widely frowned on and perceived infringements of personal "liberty" are anathema.

One consequence of this is routine flaunting of existing state and federal regulations which resulted last year in the Maricopa County environmen-tal anthority's issuing more than 750 notices to companies allegedly violating their pollu-

tion limits. A limited study by the state Department of Environmental Quality, recently counted 75 abandoned land sites in and around Phoenix heavily contaminated with waste oil and other hazards in one 15 square mile area. These sites - so common they are popularly

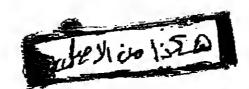
shunned by developers, often left uncleared by cash-strapped authorities, and remain as blots on the landscape and threats to ground water.

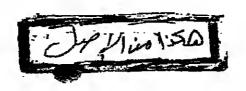
The state legislature, recognising the environmental dangers, made a half-hearted attempt to address the issues in its last session. However, according to Bill Pfeifer, head of the American Lung Association of Arizona, "no meaningful action" resulted.

Warning of the hidden costs to health he recently suggested it was only a matter of time before the price of inattention

became all too apparent. "When Maricopa County gets reclassified as a serious ozone non-attainment area, heavy requirements will be imposed that surely will curtail business expansion, slow job growth and cause major inconveniences for all of us," he









Trouble on the horizon

Growing numbers of newcomers have reopened debate on the impact of urban development

Empty Arizona, home to only about 4m people, has used the lure of "closeness to nature" and "healthy living" to attract immigrant capital and people

since the post-war boom, The effect is evident in the rapid growth of the population of Maricopa County - home to the Phoenix conurhation from 1m in 1970 to almost 2.5m. or 60 per cent of the state's population. Even the most conservative estimates suggest that the county headcount will rise to 4.5m in the next 25

call, drawn also by the prospect of jobs and a life free of hig city stress.

They hring with them demands for roads, schools and the roomy, well-spaced houses which form the plywood and stucco framework of the American Dream.

As in past periods of rapid expansion, the influx has awakened the unresolved debate on the impact of urban sprawl

Discontinuous urban development, as the planners describe it, is a common source of anxiety in western cities in the US (the late developers of US urban society) where suburbanisation was actively promoted by federal subsidies and cheap private transport.

In Portland, Oregon, officials Now; 75,000 newcomers a . have tried to resolve the prob-

growth.

Decision-makers in Phoenix and its interlocking neighbour municipalities of Scottsdale. Tempe, Mesa, Chandler, Peoria and the rest are still talking and still issuing building per-mits for the affordable homes that are so attractive to newcomers.

"Five years from now we'll still have a \$129,000 house (the current median price) in Phoenix, but it will be located five miles further out," says a local property analyst.

As in the past, much of the sprawl debate is hot air and hypocrisy, according to Elliott Pollack, an infinential local economist and property consul-

According to Mr Pollack, there are those, for example, who wrap themselves in envi-

Angeles". He points out that the metropolitian area has one of the largest allocations of park and open spaces relative to Its size in the US. More than half the new res dential construction in the region takes the form of master-planned communities: typi-

the not-in-my-backyard gang.

one acre but control the 1,000

acres next door that someone

else owns. These people make

a lot of noise but, unfortu-

nately, add little to the discus-

sion," he wrote in a recent

broad-based free-market, pro-

growth tendency, which, even

without the support of Mari-copa County's 400 developers,

is a considerable force in

He rejects populist propa-

ganda that Phoenix is fated to

hecome "the next Los

deeply conservative Arizona.

Mr Pollack helongs to the

"These people want to own

cally spacious, on landscaped terrain, with all amenities included. "We are not huilding tomorrow's slums here," he says. "I live in a master-planned community and the quality of my

Even if land were to be consumed at the popular (and

That is not the point, says Rob Melnick. director of the Morrison Institute for Public Policy at Arizona State University, and one of Mr Pollack's regular sparring partners.



Pressure to build: immigrants to the area, drawn by jobs and a life free of big city stress, bring with them demands for roads and housing

tion, which sees the correction of today's planning policy failures as a way of avoiding some of the more serious problems in the future.

The worst thing that could happen, he says, would be for today's broad-based debate to become polarised, with e progrowth group taking one way to isolation and no-growthers taking the other. Further hardening of positions, frustration and inaction would be the likeliest outcome. The quality of life, of which Arizona is so proud and protective, would suffer.

Trouble is already looming. By virtue of Phoenix's valley location, its blazing summers are often blighted by heavily polluted air trapped beneath an atmospheric inversion layer similar to that which once threatened to make Los Angeles unliveable. The effect on human health is tangible. The effect on the fragile deserts surrounding the city is

Meanwhile, resort hotel operators, far-flung suburhanites and fast-growing industrial. business and retail parks on the fringes of the cities, who depend on low paid inner-city dwellers for essential services, report increasing difficulties in finding staff, since many peo-ple are unable to make the trek

ont on the unreliable, infre-Summer temperatures make walking impracticable

quent buses which pass for a public transport system. "On \$5 an hour, these people cannot afford cars," says Mr Melnick, who claims to have used all his wiles to restart the dehate on the role 20 years hence of mass transportation

in sprawly Phoenix. "I have gored every ox. But politicians and tax-payers

resist. The development industry is up in arms. They want out to areas where land is still relatively cheap because then they can build more houses next to them.

"But they can't build their way out of this," he says. Mr Pollack, agrees on one point. "Transport is the next real issue," he says. But Mr Melnick's "European" solutions imported from countries where walking to the bus or train stop is the norm are unlikely to work. The low density of Arizonan housing, conpled with summer temperatures of 110 degrees and more, make walking impracticable. A stationary pedestrian waiting for a bus is likely to suffer

Policy think-tankers at the Goldwater Institute believe they have a solution. "We are the way we are," says Eric VonDohlen of the conservative. industry-funded institute. It is too late to start changing the

structure and the nature of the city, he argues. Proposals for mass transit schemes have in tha past foundered on taxpayer

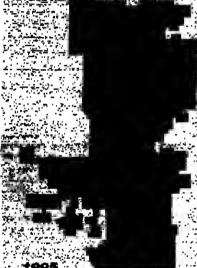
resistance, he says. It would be better to apply a low-cost mixed solution comprising organised car pools to complement an enhanced bus service for the less mobile. "It costs only \$30,000 to huy a new hus and \$60,000 a year to extend an existing route by an

extra mile," he says. Car drivers using the high ways at peak times should pay congestion taxes in much the same way as electricity consumers pay more at times of high demand, and private toll roads could complement the inadequate public network, he

Such schemes, he says, will suit the nature of the "very market-oriented people in this state."

Besides, he adds, "I don't think you'll find it easy to persuade them to give up their

THE GROWTH OF PHOENIX







life will not change if another 100,000 people come here."

ursubstantlated) catchphrase rate of "an acre an hour". it would take 600 years to develop the county fully, he

While be enjoys his reputation as a gadfly eager to prick the conscience of the complacent majority, Mr Melnick represents a more reflective fac-

Cultural legacy Desertion of the Chaco Canyon

Lessons from the past?

"The Anasazi world grew from a collection of simple farming communities to a society complete with central government, hierarchical administration, civic projects and other aspects of a complex civilisation. Then the Anasazi turned aside from those levels of complexity. Perhaps in such an

exacting environment, there are limits to growth. Possibly, because of a long stretch of

forgiving climatic conditions, Chacoans overstepped those limits, eventually adjusting hy breaking into smaller groups. Maybe in some situations, growing to nitimate complexity is the wrong choice, the less adaptive choice."

Why the Anasazi, presumed forebears of the loose Native American group known as Pueblo Indians, deserted their grand city and farmlands in

Chaco Canyon are still unknown. The extraordinary masonry huildings - up to four stories tall - which formed this desert community in modern-day New Mexico. were built in a 250-year span reaching to the early 12th century. Less complex, earlier settlements, date back to at least 700 AD. By 1150 Chaco

Canyon was deserted. In about 1450, the Hohokam Indians of Arizona's Sonoran

Desert, close to Phoenix, left their settlements and a 300-mile network of canals. They [visitors] want to see what happens when you develop the desert, when you change it rapidly? You show them the Hohokam," says "Crash" Masurich, a local tour guide.

* From Chaco, A Cultural Legacy, by Michele Strutin Pub. Southness Parks and Momements Association

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Arizona as a corporate location

Dissident voices emerge

The attractions of the state are set against growing costs and lack of public transport

"Quality of life", the term most often used to encapsulate one of Arizona's main attractions for business, is not simply a vague agglomeration of personal preferences revolving around eternal sun, golf and cactus gardening.

lt embraces definable economic and social elements, and it is one of the state's most prized assets. In the scale of factors governing US corporate relocation or investment planning, local pundits rank it alongside or even ahead of

They credit it with a prominent role in decisions which last year led almost 500 companies to relocate to or expand facilities in Arizona, creating 25,000-plus jobs. Intel, the California-based

chip giant is now completing a \$1.3bn fabrication plant billed as the biggest construction project in the country, further promoting the state's claim to redesignation as "Silicon Desert".

Sumitomo Sitix is also building on a greenfield site, while established residents Motorola and France's SGS Thomson are

Compared with an average of 10 per cent for the US as a whole, 30 per cent of the state's manufacturing jobs are in high-tech industries.

Among Arizonan executives, measurable beneficial influences on the quality of busi-

America West, the Tempe-based, phoenix-like alrline which fell into virtual

bankruptcy and scrambled

aloft again in mid-1994, is

building up its fleet and its workforce. Bill Franke,

chairman and chief executive,

says be plans to lease 22 jets in

addition to the 93 in service at

the end of last year and take

Hearing him talk about

"Arizona and Nevada will

remain the fastest growing

parts of the US for the next 10

years," he says. America West

itself has a plan based on an

expansion of the business in

per cent this year to \$1.75bn.

north-south passenger routes

Mexico are benefiting from

stretching from Vancouver and

the need for a cargo-only

airport. Newly-opened

•

the next two years. It expects

revenues to grow more than 25

There is talk about town of

estimated 20 per cent

economic prospects around his

hub, it is clear he is optimistic.

on 1.000 new workers.

ness life include relatively low housing, living and labour costs, and relatively high educational standards. Proximity to the Californian market - an hour's flight away - and fast-growing trade with Mexico are

also quoted. Among the intangible assets, executives mention a strong work ethic, and self-reliance attributed partly to traditions based in ploneer times and the state'e large Mormon population.

It was the quality of business life in Los Angeles which, ultimately, drove Daily Racing Form, the turf afficionado's bible, out of California in 1993. William Dow, chief operating officer, paints a dismal picture

The cost of doing business in California has now moved here'

of a decayed inner city commu-nity and an "anti-business" atmosphere in City nau. He fondly recalls an "audisphere in City Hall. ence" with Arizona governor

Fife Symington, and contrasts the occasion with a dismal, fruitless encounter with the mayor's office in his company's former base.

Phoenix offered lower rents. an abundant, weil-trained labour pool and lower pay. "They all added up to produc tivity gains, and they still do." he says. Most of the 60 Phoenix staff own bomes which they

Years ended December 31

veilable nest miles the

useenger load factor (%)

verage passenger rev

Operating expenses per available seat mile (cents

Number of aircraft

sade bessegder teaet

maer mile (cents)

labie seat mile (cente

Airline grasps the nettle

Among the less definable advantages, he lists "an element of frontier justice" which keeps crime in check. "I take my dog for a walk at night and never think to look behind me. My shoulders dropped four

William Schultz, head of Fender Musical Instruments, the leading rock guitar maker, which moved its headquarters to Arizona at around the same time, shares Mr Dow's delight at a personal level. However, he says, "the cost of doing business in California has now moved here, and California has reversed its attitude to busi-

inches when I came here," he

"The advantages have gone completely," he claims, and complains of endless construction work and urban sprawl which exacerbate traffic problems. He also reports difficul-ties finding suitable, affordable staff for his computer depart-

Staff poaching is now wide-spread in the state's high-tech industries, and one local software group said recently it was obliged to increase program-mers' pay four times in the past two years to keep up with

Mr Schultz is a rare dissident voice, but echoes of his concerns emerge persistently in the revived debate on managing growth in the state.

According to last year's study by the non-profit Corpo-ration for Enterprise Development, Arizona failed to gain a place in an "honor roll" comprising 14 states, headed by neighbouring Colorado and including Utah.

America West: operational statistics

Aug 25

1994

10.5

11.6

71.0

10.68

7.58

7.15 10,849

Predecessor company

1993

65.3

17.71

7.25

10,544

1992

61.1

10.31

6.30

7.10 10,233

evaporating.

1991

16.9 20.6

13.0

63.2

10.22

6.48

7.36 11,561

101

days of a regulated market, is

"I grew up in the paper

industry. I am not an airline

commodity cycle. Therefore

costs need to be kept in the

lowest industry quartile and

the business needs to be run

like a business," he says.

guy, but I recognise that flying is a commodity governed by a

1990

15.6 18.8

11.1

8.09

11.17

6.79

7.37 12,933

Reorganised company

68.5

10.91

7.48

7.19 8,712

Aug 26 -

Dec 31

1994

5.2 6.4

61,6

11.02

6.81

6.71 10,715

Mr Franke, by his own

approach to running the

the top of the hierarchy, 19

well-structured business

mentality belonging to the

They came from

have joined since he arrived.

such as Avon, Marriott Hotels

and PepsiCo. The civil service

account, takes a business-like

pany. Of 20 executives at

which merits are awarded for a state's economic opportunities, the vitality of its business sector, and its capacity for future growth, Arizona came out only marginally ahead of California, the state from which it has garnered most of its corporate relocations.

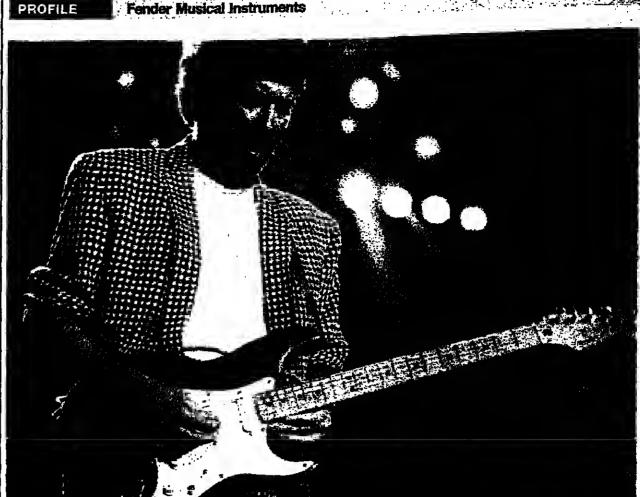
On the other side of town from Fender and at the other end of the high-tech jobs scale, Matt Crow, president of the Arizona Bilimore hotel, reports trouble finding people to fill \$6.50-an-hour security jobs.

It is a problem which will grow in future, he says, made worse by the lack of public transport to carry lower-paid service industry workers from their homes in central Phoenix to outlying resorts.

But at a more philosophical level, this recent arrival from New York is still enchanted by the prospects of Phoenix, and the opportunities presented by his acceptance into the ranks of a business community determined to shape the region's future. "If this company were in London, New York or Chi-cago, it would be generations before someone like me could

take any kind of role," he says. Down at ground level, John Sperling, the earthy president of the Apollo private education group, recalls the conditions which favoured the foundation of his formerly-controversial

business just 20 years ago. "There was still an air of the Wild West out here," he says. I came on the principle that where there's muck there's money. I decided the least likely place was the place I should go. I couldn't have done all this in civilisation."



Arizonan attractions begin to wane for guitar maker

Fender Musical Instruments which claims that 90 per cent of leading rock and pop musicians play its guitars, is considering starting manufacturing in the UK. The plant would complement a newly-opened distribution and marketing base near Gatwick airport, south of

The Arizona-based company may also need new capacity in the US. according to William Schultz, the company's president, but the most likely site for this is back in California, Fender's original home, rather than Phoenix, where it has been headquartered since 1992.

The anti-business environment which originally

Fender has raised daily production from 12 to 1,000 units

drove Mr Schultz, his management and research facility out of the Golden State in 1992 has much improved in the interim, he

An \$800,000 worker-training grant figured among the incentives which persuaded Fender to scrap

provisional plans to move the whole business to Arizona. The company now employs 120 people in Phoenix and still has 600, mainly manufactoring staff, in California,

Meanwhile, the attractions of Arizona have waned. It is still a great place for golf, says Mr Schultz, and all 50 people who came with him are still in Phoenix. "But the business environment is not being handled properly. They are building houses and no roads," he says.

He is also having trouble finding computer staff at economic rates of pay in competition with the blossoming Arizonan electronics industry.

Besides, Mr Schultz points ont, the need to set up and run in new equipment, train staff and get quality up to scratch in a new site in Arizona would need lead quality could be assured. And time is a commodity

the 50-year-old company cannot spare. It is busy resurrecting itself from the sorry condition in which it found itself in 1985, when its then-owner, CBS, decided to dispose of its corporate orchestra - a motley band of subsidiaries producing flutes, Steinway planos and organs, as well as electric guitars. Mr Schultz, who had been



ALL OUR GUITARS HAVE TO PASS WHAT

WE TERM 'THE POPSTAR TEST

managing the company for four years at the time, led a team which bought the name and distribution rights for \$12.5m. "We didn't have enough to buy the manufacturing. We started out with the idea we would be Production was down to 12

guitars a day," he says. Dally output of these hand-made Rolls-Royces of the rock world has subsequently risen to 1,000. The Fender brand's world market share in electric guitars is now 25 per cent in dollar terms.

The company recently bought the Guild company to strengthen its position in the acoustic guitar market and as

with arch-rival, Gibson. Fender has also opened a distribution office in Germany and it has a joint venture in Japan, A Chinese manufacturing partnership bottom end of the guitar market. In the past 10 years the company has shrunk its debt

new electric model to compete

ratio from 12:1 at the start to 1.5:1, and operates strictly by Mr Schultz's dictum: "Never spend more than you take in." As a result he has a company that is valued at \$130m on his hands, and he is being "bugged to death" by investment bankers seeking to lead him to market.

America West is expanding after its recovery from a recent near collapse

trade flows generated by the North American Free Trade Agreement, East-west traffic is growing as a result of rapid growth in the economies of Asia Pacific. And the changing structure of the local market is giving America West opportunities to shift its to more profitable areas. Arizona, once a seasonal

leisure destination patronised by the winter resort trade and golfers, now has a large business travel market, says Mr Franke. Formerly fare-driven, with

fierce cut-price and charter flight competition - a

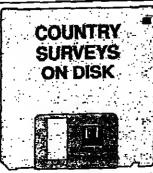
condition which prevails thanks not least to the rough-and-ready Southwest Airlines, which makes a virtue of the peannt lunch - Arizonan air travel is growing more diverse. Alliances and code-sharing deals with the likes of Continental and British Airways form part of the approach, which includes efforts to wriggle into high-margin niches in the crowded market.

The company, which is investing in Phoenix's new major league baseball stadium. and has its name blazoned on the Phoenix Sun's downtown basketball arena, is evolving a role as a "boutique" provider for sports teams - and their fans. Phoenix expects shortly to draw in thousands of new visitors by virtue of its status as one of only a dozen US destinations with four major league teams and stadiums offering basketball, baseball, football and ice hockey.

America West'e average passenger trip has stretched from 500 miles when Mr Franke arrived to 1,000 now "This helps us keep out of the way of Southwest and United's shuttle where there is a new fare offer every day," he says. First-class service has been

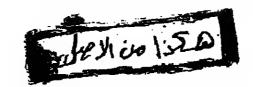


Rising from the ashes; an America West aircraft



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AUTOMOTIVE COMPONENTS

The global urge to ioin forces

Greater use of common parts has put economies of scale and global coverage at a premium in the world components industry, writes Haig Simonian

General Motors pick up their phones for a two-hour international conference call. On the agenda are the parts requirements for the group's future csr and truck programmes. Together, they discuss what components are needed, who might best supply them and how and when the contracts should be put out to

The globe-spanning call. which unites GM's purchasing people in Australia, the US. Europe and Asia, also covers cost-cutting ideas for current models. The participants swap data on the performance of their suppliers, gossip about increasingly the same. industry developments and act on their conclusions.

ceivable. Purchasing was an independent function carried out locally. Few manufacturers, apart from GM and Ford, had significant assembly plants outside their home markets, restricting the need for co-operation hetwsen subsidiaries.

multinational Even carmakers had limited reason to co-ordinate their domestic and foreign production plans. In the case of GM, which spends sbout \$70hn a year buying parts, purchasing was until 1992 split hetween 26 different operations.

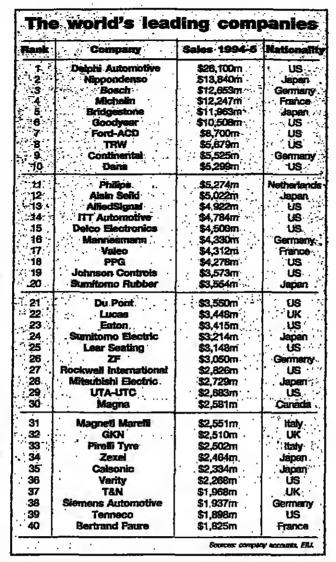
Components requirements differed widely between locations. The dissimilarities stemmed partly from varying national safety and emission standards. But they also arose because the manufacturers

very Friday, a group themselves had barely started of purchasing themselves had barely started to co-ordinate their global vehicle programmes and if the same parts had been required. purchasing departments would have found it virtually impossible to find one company to supply all their international needs.

All that is changing now. The onset of efficiency and rationalisstion programmes such ss "Ford 2000", Volkswagen's "platform strategy" and GM's network of "slliances" hetween international product development teams mean new cars are being conceived on a global hasis. Even when their exterior styling and body variants differ, their innards are

The greater use of common parts bas put economies of A decade ago, such a call scale and global coverage at a would have heen incon- premium in the world components industry. That trend has been reinforced by vehicle makers' expansion into new regions, such as Asia and Sonth America, to meet forecast demand growth as sales in their traditional markets slow.

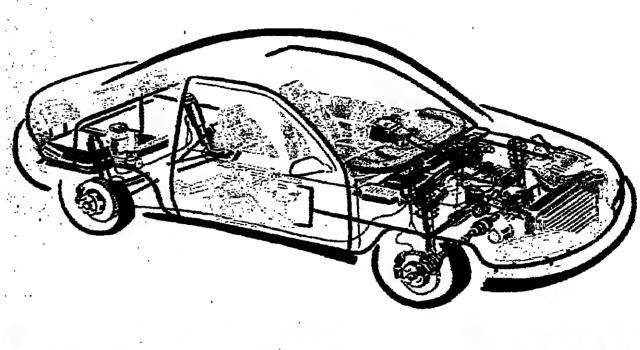
Sucb developments bave fostered consolidation in the industry. In the past three months alone, Bosch has bought Allied Signal's brake operations; Lucss has confirmed talks with Varity on closer links; and Mr Carlo De Benedetti's big stake in Valeo has been put into play. The game of musical chairs in car components is just starting," says one consultant. The world's component makers are taking hets on which companies will be next to join



Consolidation has been pressures on vehicle makers. In mature markets, such as the US, Europe and Jspan, the "affordability" of new cars has become a central issue for the motor industry. A new study by consultants A.T. Kearney and the University of Michigan* shows it now takes about 10 weeks longer for a US worker to buy a car, based on sverage salaries, than a decade ago. The dehate over "affordability", which is raging even more fiercely in the low-growth European market, lies st the heart of vehicle makers' efforts to cut costs and remain competitive.

That is placing new demands on the components sector. Ford shocked many suppliers lest year when it set strict price reduction targets over an extended period. Other carmakers have not been so forceful, but their aims have been the same. Mr José Ignacio Lôpez, the Spanish-horn production and purchasing guru now at the centre of a bitter lawsuit between GM and VW. is now transferring his cost-saving strategies to Europe.

Vehicle makers on both sides of the Atlantic are also demanding significantly higher quality standards from their suppliers to meet the levels of Already, there are signs of



Sophisticsted monitoring procedures have heen introduced to check quality and hefty sanctions are being imposed on suppliers which fail to match up.

Higher quality has been accompanied by demands for greater flexibility.
"Just-in-time" delivery has become commonplace, even if definitions about precisely what it implies differ within the industry. And vehicle makers are demanding not just speed and sccuracy from their suppliers, but flexibility too.

Such factors have inevitably

thinned out the ranks of components makers. The financial and managerial resources needed to tackle globalisation has put smaller suppliers at a disadvantage to their bigger rivals and stimulated consolidation. Business is being increasingly concentrated on a declining number of big "Tier I suppliers, which are expected to provide services to their customers around the world... ronsolidation...

change hnsinesses such as glass, seating, brakes and paint. Consolldstion bas heen

reinforced hy the trend towards systems integration. Rather than remaining mired in their established businesses, components companies are trying to improve their margins by attempting to provids more complex functions. Wiring makers, for example, are increasingly moving into producing entire harnesses. By the same token, a manufacturer of steel tubing for brake fluid could consider expanding into providing entire fluid handling systems.

The Kearney/University of Micbigan study warns, bowever, that some suppliers' ambitions may be running ahead of reality. It suggests a greater number of components companies envisage themselves hecoming systems integrators than the market can bear. Nevertheless, the impact of the move will reinforce the trend towards

Outsourcing is the other

towards fewer numbers. One ohvious way in which carmakers are cutting costs is by delegating tasks once done internally to third parties. in the case of components, the potential exists for significant savings because of the wids differential between pay rates in car assembly and the components sector.

But the shift in the supply industry towards fawer, higger companies, which have closer relationships with their customers, is predicated on greater trust on both sides, A future world of fewer suppliers winning bigger contracts covering longer periods implies unprecedented levels of commitment hetween component companies and their

To some extent, such changes are already under way. A neither of US and European valide makers have followed the Japanese example of sharing knowledge with their suppliers. Specialised

important main influence pushing staff go into the field to cover nology and manufacturing to hrosder skills, such as financial control and logistics. We help suppliers become more competitive", says one senior purchasing executive.

> Such co-operation contrasts with the more confrontstional approach which characterised relations hetween vehicle makers and their suppliers in the past. But for the new relationships to work, there will have to be significant changes of stitude on both

While the closer rspport should help to improve product quality and reduce cost in the long term, it will reduce the flexibility to sbop around on both sides. Vehicle makers and their suppliers say they understand the risks and argue the potential advantages of co-operation greatly outweigh any drawbacks. It is too early to tell how right they are. * The Next Revolution. A study in Changing Roles, Responsibilities and Relaterships in the Automotive Industry', to be published in June.







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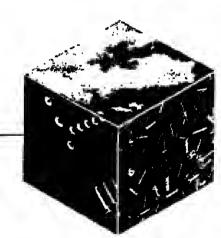
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COMPONENTS DIVISION

Parts and the big story

Like car producers, the suppliers are merging and spreading across national boundaries

Globalisation consolidation are marching band in hand in the world components business as the industry rationalises and companies become more international.

Both processes still have a long way to go. Mr George Simpson, chief executive of Lucas, the UK engineering group, expects the number of Tier 1 suppliers to continue falling sharply as vehicle makers place greater demands on their leading components com-

Like many industry executives, Mr Simpson sees restructuring among carmakers spilling over into components. That will prompt a gradual consolidation, cutting the ranks of component makers to about 15-20 "global" groups during the next 10

Consolidation is already under way in Europe. Last year, the number of independent components makers fell sharply, with 157 mergers or takeovers involving European groups alone, according to Union Bank of Switzerland. While more than half the \$2.45bn of transactions took place in one country, the pressure of internationalisation was reflected in the fact that 73 deals crossed European borders, while 39 involved a non-European pareut company either huying or selling an

Consolidation has already reduced the number of players sharply in some areas, such as brakes and seating. The number of significant seatmakers has fallen to less than six, after a spate of international acquisitions by Johnson Controls and Lear Seating, the two main independent US suppliers. which have now consolidated their positions in Europe. The same process has been under way in hrakes, lighting and Ould handling systems.

While many transactions bave involved the acquisition of relatively small local players, there have also been a number of more substantial Main acquisitions of European companies announced in 1995

Target	Country	Acquirer	Country	Sector
Acts	UK	Tsuchiya Manufacturing	Japan	air-induction parts
Altisskno	Italy	Amicias	Italy/France	lighting
Automotive Products	uk	Automotive Products*	UK	brakes & ctutches
Secker	Germany	Harman Int	US	interior parts
Bellino	Germany	UPF Group	UK	pressings
CEAc	France	Exide	US	batteries
Ebyl Durmont	Austria	Magna	Canada	interior parts
Empe	Germany	MBOT	Germany	Interior parts
Euroval			4	111011011 1111111
Motorenkomponenten	Germany	Mahle	Germany	valves
FSO Chriches	Poland	Valeo	France	clutches
GKN axles	UK	Dana	US	axles
Hammerverken	Sweden	Autoliv	Sweden	seat sub-systems
Harman SA (50%)	France	Magneti Marelli	italy	mirrors
Hohe	Germany	Donnelly Mirrors	US	mirrors
Isodelta (49% + options)	France	Autoliv	Sweden	steering wheels
Mannesmann Fahrzeugtelle	Germany	Lunke & Schn	Germany	pressings
Manufacuras Foros	Spain	Tenneco	US	extrausts
Melfin	UK	Tricom Automotive	UK	seating
Mercedes-Benz, plastics	- I.	THEOM PERCHAPT		~~9
operation. Woerth	Germany	SAI	France	plastic parts
Plastifol	Germany	Automotive Industries	US	Interior parts
Revdel	France	Plastic Omnium	France	plastic parts
Roth Frères	France	Johnson Controls	US	seating
Safiplast	Italy	Ergom	Italy	fuel tanks
Safiplast	Italy	Solvay	Belgium	fuel tanks
SEIM	France	MGI Coutier	France	wiper pumps
Sommer Allbert (50% of UK	(yrsibledue	Masland	us	Interior parts
Styr-Daimler-Puch	Austria	Daewoo	Korea	engines & drivertra
Thermal-Werke	Germany	Valeo	France	heaters
Vaisala Technologies	Finland	Breed Technologies	US	sensors
VDT	Netherlands	Bosch	Germany	gearboves
Viktor Achter	Germany	Milliken	us	textiles

of this year, Allied Signal agreed to sell its US mechanical brake operations to Bosch. Lucas announced it was in co-operation talks with Varity and a controlling stake in Valeo was put into play. Those moves followed a spate of takeovers in 1995, which saw Johnson Controls buy 75 per cent of Roth Freres and Tenneco acquire Manufacuras Fonos. Spain's leading exhaust maker lust 12 mouths after huving Heinrich Gillet, a big German exhaust group,

"Management buy-out 1CVC and Goldman Sache

The consolldation has been driven by three main factors. Companies want to exploit economies of scale. They are also keen to gain market share by buying their way into relationships between suppliers and their local customers, and they want to expand geographically. In the complex deal between GKN and Dana last year, both improved their geographic coverage by swapping assets in

different parts of the world. The obility to offer worldwide coverage will gain impor-

FT Automotive Reports

Find out what's really happening in the FINANCIAL TIMES

tance as the motor industry grows more global. From Wuhan to Warsaw, factories are being built to meet the expected growth in demand for cars and trucks. Most of the new capacity is in developing markets, such as Asia and South America, where demand

is forecast to rise most sharply.

Sources: UBS and Automotive News Europe (does not include acquisitions by Europeans outside Europe

The carmakers' push into new territories has created novel challenges for the components industry. Vehicle manufacturers are demanding shorter lines of communication with their suppliers. In many cases, deliveries of parts, such as seats, are synchronised on a just-in-time basis, with supplies often coming from satellite plants huilt by components companies adjacent to their customers' factories.

Accelerating internationalisatton among carmakers is creating new opportunities for the supply hase. Take Fiat's new Palio "world car". Production of the model has just started in Brazil, and will gradually spread to Argentina and half a dozen other countries. Fluid handiing systems for

being supplied hy Bundy, the subsidiary of TI, which has huilt a new Brazilian "satellite" plant to supply Fiat But Bundy also hopes its Palio contract will enable it to win similar deals with Fiat subsidiaries in the other countries where the new car is to he huilt. Only a supplier that is active globally could pitch for the business - putting a premium on

geographic spread and size. The supplier-customer relationship is also changing in two other ways. Suppliers are taking on additional functions as many carmakers "outsource" important components which they used to make internally. And components companies are heing given greater responsibilities to add value to their products hy moving from making individual parts to pro-

viding entire snb-assemblies. Take outsourcing first. The shift to buying more components externally should benefit carmakers and suppliers alike. Wages in the supply industry are much lower than in the car business. That means suppliers

more cheaply than vehicle manufacturers. Prices should also be lower because suppliers may have greater economies of scale. While innovation and quality may be higher because a parts supplier can exploit the knowledge that comes from

should be able to produce parts

working for different clients. Similar arguments are used to explain the move towards systems integration. Giving components companies greater responsibilities should benefit both carmakers and their suppliers. Vehicle manufacturers can reduce their costs by devolving various tasks, such as research and development and quality control, to key suppliers. The components maker. meanwhile, benefits hy gaining

higher-margin husiness Yet although the arguments in favour of outsourcing and systems integration are compelling, there are significant constraints on both. The 17-day strike earlier this year at the Dayton, Ohio hrake plant of General Motors highlighted the degree of employee hostility to outsourcing. The strike, over the iasue of buying more brakes from a third party at the expense of internal production, brought GM's output to a

Although hoth unions and management eventually claimed victory, the dispute demonstrated the difficulties of changing established working practices in a big car company. Some industry observers argue that outsourcing is only possihle at greenfield sites, where workers have not been influenced by traditional practices.

Systems integration also has its handicaps. The key factor is trust. Not all carmakers are convinced about the merits of transferring sensitive tasks to their suppliers. And even the most enthusiastic will argue that certain core competences, such as engine design or overall vehicle styling, should conUS prospects: by Righard Waters

Boost for suppliers

A look at the changing relationship

between makers of parts and vehicles

By rights, the prospects for the US's auto parts suppliers should not look too good. Sales of new light vehicles, though rebounding in the opening months of this year from the disappointing end to 1995, are steady but unspectacular. With sales of cars and light trucks levelling off at an annual rate of a little over 15m, the peak of 16.1m hit in 1986 seems unlikely to be surpassed soon. Meanwhile, the current phase of US economic expan-

sion, though showing no signs of coming to an imminent end, is already five years old, and consumer deht is mounting. For a fundamentally cyclical industry, this is not an encouraging backdrop.

Despite this, some of the country's big parts makers could be looking forward to a solid few years, founded on steady growth, rising profit margins and international expansion.

Pressure from the big automohile makers, bent on lifting their profit margins, has meant that parts makers are "giving up 4 per cent a year in price.' says Mr Joseph Gorman, chairman of TRW, one of the higgest

US parts makers. Bul that has benefited companies with the lowest unit costs. TRW and Dana, for instance, have been able to expand their profit margins. despite the lower prices; many weaker companies have aiready been taken over. As in other US industries, from financial services to healthcare, consolidation is playing

into the hands of the biggest and most efficient.

A second force at work is the shift in the relationship between the automobile manufacturers and their suppliers. This has two aspects to it: the big vehicle manufacturers seem likely to outsource more work to their suppliers, and are seeking a different relation-

ship with those suppliers. The clearest indication of the former came earlier this year. with the strike over outsourcing that brought General Motors' North American operations to a halt. A more vertically integrated company than its competitors. GM has suffered from a high cost base (its union workers earn twice as much as the mainly nonunionised workers employed by the independents).

This year's strike ended in stalemate. The company agreed to create more johs at two parts plants in Ohio, while the United Auto Workers agreed to GM's plan to award some work to an outside supplier. But GM's willingness to face a prolonged stoppage seemed to signal a new determination by its management.

Another way in which many carmakers are looking to cut costs is hy narrowing the list of companies with which they do business. Ford, for instance, has set in train a cost-cutting effort, part of which will depend on its ability to reduce the large number of suppliers with which It deals

This shifting relationship between manufacturer and supplier reflects another force at work, in the US as elsewhere: suppliers are taking over part of the design and suh-assembly work formerly handled by automakers, making complete units, rather than simply individual components.

ward the consolidation already under way, as suppliers seek to extend their range of products to secure their relationships with big customers. In the brakes business, traditional hrake makers have sought to extend their reach into antilock braking systems. That led last year to Allied Signal's decision to sell its ABS business to Robert Bosch, and to the talks recently announced between Varity of the US and

the UK's Lucas. This trend is likely to be felt more widely. TRW, for instance, already has a large share of the airbag and seat belt markets. The next step is to turn that into providing all of a vehicle's "restraint aystems". To make side-mounted airbags, for instance, means having a hand in making the seats in which they are. mounted, says Mr Gorman.

With suh-assembly work comes a new position of influence in the value chain. By becoming involved in research and development, engineering and project management, first-tier suppliers who stand between the automakers on the one hand and second-tier component makers on the other a group known as "aystems integrators" - will have a more infinential role in future, says Mr David Cole, director of the University of Michigan's Office for the Study of Automotive Transportation.

The consolidation under way amnng parts makers could lead to a shift in economic power from huyers to sellers, Mr Cole adds. In the past, a fragmented. parts industry has been at the mercy of price-cutting. Fewer, bigger parts manufacturers, on the other hand, will find it easier to stand up to the hig

■ New technology: by John Griffiths

Weight-watchers get busy weight structure using thinner,

As vehicle electronics systems become more sophisticated, cars may get too heavy

There is a motor industry consensus that by the year 2005 electronics and electrical systems will account for about a quarter of the manufacturing cost of a mid-range car. That is more than double the current level in such cars, even though 1996 models are already fitted with sophisticated electronic engine management, anti-lock hrakes and other complex systems.

Implicit in such explosive electronics growth is the car's transition in the next decade from an autonomous mode of private transport to part of an integrated highway transportation system, comprising "intelligent" cars communicating via sophisticated electronic systems with an equally "intel-

ligent" highway infrastructure. This highway system, deploying a variety of technologies under the generic term of telematics, will provide route guidance, synchronised signalling and other traffic control systems aimed at reducing congestion and delays that are estimated to cost the EU more than \$12bn a year in lost manhours, excess fuel costs and

other wastage. But as industry experts such as Mr Bob Calder, president of the light vehicle systems division of Rockwell, the US automotive-to-aerospace multina-tional, point out, there are knuck-on effects throughout the car of the wholesale addition of new electronic systems. The weight of similarly sized cars has typically gone up by one-third in the past 20 years, thanks to the addition of "convenience" features such as more sophisticated audlo systems, electric winduws, central locking, electric sunroofs and air conditioning; safetydriven fitments such as airbags and side protection bars, and environmentally-driven requirements such as catalytic

converter systems. The expected widespread adoption within the next decade of on-hoard satelliteguided navigation systems, fax and other data terminals, automatic collision-avoidance systems, infra-red hased enhanced night vision and other sophisticated hardware will add substantially more to the weight hurden - sending the industry into an intensive search for weight saving in other areas, whether through the adoption of lighter aluminium structures for the car body itself - as envisaged by Volkswagen even for volume-hullt models like the Golf some time early in the next century - or through the use of plastic composites and simplified construction methods for individ-

According to Mr Calder. creating such complex vehicles

of the future will require the maximum use of the partnership concept between vehicle manufacturers and the blg "tier one" component suppliers on which they increasingly rely for the design and development, as well as the manufacture, of major component systems for their vehicles.

The full deployment of each partner's expertise will he needed, for example, in the introduction of the "multiplex" wiring systems which will play such a pivotal role in the 'Intelligent" car of the nea future - and which will replace, in the case of Mercedes' S-class luxury car, for example, some three kilometres and over 50 kilogrammes of conventional wir-

In a multiplex system a multitude of commands and signals can be sent or received along a single wire, not only creating instant weight savings and allowing more freedom in the design of a car, but also permitting the distribution of programmed intelligence throughout the vehicle - to provide fail-safe back-up systems in the case of lighting or other failures, for example. The first production cars to be fitted with such systems are expected to reach the market by the end of the decade.

Already there is much more aluminium in vehicles than a decade ago; sufficiently so for the steel industry, seeing one of its biggest uses under potential threat, to throw itself into an intensive technology drive to come up with similar light-

So, wherever you ara in the

high-strength steels and innovative design approaches. Currently some 30 big steel companies, including British Steel, are three-quarters of the way through a four-year joint venture, the Ultra Light Steel Autobody programme, to huild demonstration steel "bodies-inwhite" (essentially the structural core of the car minus its doors, boot and honnet) at least 20 per cent lighter than

current conventional bodies. The search for weight-saving may even extend to paint. Currently the paint process is complex and multi-staged, typically requiring \$150m-plus investments in paint facilities for even a relatively modest-sized car production facility. British Steel, for one, maintains that technology is moving towards the steel producers themselves being able to provide carmakers with pre-coated steels.

And the manufacturing ideal of being able to apply just one coat to the raw body - is not necessarily unachievable, if developments at General Motors' Hughes Aircraft subsidiary provide a guide. Hughes, which like Rockweli is also a manufacturer of space satellites, has developed its own ultra-tough paint for space vehicles which may yet revolutionise vehicle painting if surface appearance and cost reduction obstacle can be over-

Advances in electronics and materials technology should also lead to weight-savings in the dynamic areas of the car.

systems, observes Mr Neil Mullineux, of motor industry consultants Bowfell Research Associates. He suggests that the use of lightweight plastic composite springs - already found nn snme commercial vehicles - provides one oppor-tunity; the other, further off and more radical, is active suspension in which both springs and heavy shock absorber: systems are replaced by small, computer-controlled electronic rams which lift or lower each wheel in response to vertical

Virtually all the hig mannfacturers have been developing such systems; however their cost and the complexities involved in miniaturising the rams and engineering in very swift response times makes it . unlikely that such systems will become available on even relatively upmarket cars until

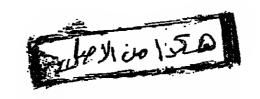
early next century. An increasingly significant role is also heing played by another components sector, the ... tyre industry, in countering the adverse effects on fuel consumption presented by the car industry's non-stop struggle with weight. Some 20 per cent .of a car's motive power has typically been required to overcome the rolling resistance of .. its tyres. Now, however, the adoption of new compounds for the tyres - and notably the increasingly intensive use of silica, ls reducing rolling resis tance markedly. Pirelli, for .. example, claims a reduction of . around one-third for its recently launched "intelligent" P6000 tyres.

automotive components industry **Automotive Components Suppliers** Winning in a global market this comprehensive report examines the new-look global components industry in the major world regions - Europe, Amarica and Japan. Over 60 supporting company profiles of leading automotive components manufacturers and suppliers provide a detailed insight into the activities, failures and successes of tha key players. Published November 1995 Price: £350/US\$520 **Automotive Components FT Automotive Newsletters** Suppliers **Automotive Components** Technological changes to 2010 from airbags to wheels, from new fuels to Analyst glass, this timely report highlights specific A monthly analysis of the global vehicle technological developments in component components industry design, manufactura and application set to transform the automotive industry over the provides original analysis and commentary on the next 15 years - end looks el which news lhet metters, including contracts, deels. new vantures, technological developments, and in-depth company profiles of global component companies are best placed to take advantage of them. suppliers. Published September 1995 Price: £350/US\$520 Vickars Pic say thair subscription to Automotive Components Analyst provides "... a user-friandly summary of developments and issues in the world-wide **Automotive Electronics** AUTOMOTIVE components industry COMPONENTS in Europe very helpful for keeping ANALYST abreast of the markat Success in a changing market dynamics relevant to our gives you a thorough analysis of tha growth vehicle and component and future direction of one of the most vital husinesses, as well aspects of the European passengar car as being an markat, providing expert analysis of the latest interesting read" technologies, developments, legislation and companies involved in the expanding Published monthly automotive electronics market. **Subscription** (12 issues) Published November 1995 £500/US\$755 Price: £350/US\$520 12251H To receive further information on FT Automotive titles simply complete the form below and relum to: Adrian Gilbert, FT Newsletters and Management Reports, Maple House, 149 Tottenham Court Road, London W1P 9LL. Fax: +44 (0) 171 896 2333



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FINANCIAL TIMES

Alexandra (Carlotter)

Among the leaders of the pack of US companies attempting to infuse western industrial technologies into the former communist nations of eastern Europe is California-based Superior Industriea, which claims to be the world's higgest supplier of aluminium wheels for cars and light trucks.

in partnership with Otto Fuchs Metallwerke, a German metal forging company. Superior has set up a factory to make up to 2.5m aluminium wheels a year at Tatahanya,

The \$60m venture illustrates the increasingly global nature of the wheels husiness. It also indicates how aluminium wheels - which for years, particularly in Europe, have played only a small part in the automotive market compared with the more common steel wheels - may be about to grow in importance in Germany, France, Britain and Italy.

Aluminium wheels have grown quickly in popularity in North America since 1980, when they accounted for less than 7 per cent of the total wheels fitted to new cars and light trucks. The lightness of aluminium wheels has allowed them to be identified with moves towards lower fuel consumption and environmental consciousness.

However, the main reason for aluminium wheels nowadays taking about 44 per cent of the US market, with virtually all the remainder being steel, is that the greater degree of moulding possible with the lighter metal means such wheels can be regarded not so mnch as a necessity but as a

fashion statement. "We make the most stylish wheels in north America," says Mr Jeff Ornstein, Superior's chief financial officer.

In recent months, Superior's effort to carve out new bustness in Europe has been overshadowed by an event which for the global wheel industry has underlined the hroader trends in car components towards industry consolidation



The wheel: is it a fashion statement or just part of the car?

vanture its first foray into

Europe. Customers in the US

include General Motors, Ford.

The demand for aluminium

wheels in Europe is much

lower than in the US, largely

because of greater cost-con-

sciousness by vehicle makers -

aluminium wheels typically

are 25 per cent more expensive

then their steel counterparts.

This means that only about a

fifth of all wheels fitted to new

cars in Europe are aluminium.

trends in Europe are moving in

its favour, particularly among makers of more expensive

vehicles. The company says it

has an order for 700,000 wheels

a year from a German car com-

pany, which it does not want

to name, and which will be

snpplied from next January

when the factory is expected to

joint sales venture with Topy.

the Japanese supplier thought

to be the world's biggest maker

of automotive wheels of any

kind, under which Topy acts

primarily as an agent in trans-

ferring Superior wheels to Jap-

erate BTR and which is

Europe's fourth biggest wheel

Superior has also formed a

be fully operational.

However, Superior hopes

BMW, Nissan and Toyota.

in which the number of main suppliers is being reduced. Hayes Wheels, partly owned

by Varity, the large US vehicle component aupplier which is participating in its own merger talks with Lucas industries of the UK, decided to combine with Motor Wheels, its hig competitor in the US wheels business, in a cash and share deal worth \$1.1bn, Hayes and Motor will be recapitalised to form a significant supplier of both steel and aluminium wheels to North American car and truck huilders.

Varity, which previously owned 43 per cent of Hayes, will get \$235m cash and a 7 per cent interest in the merged company. After the merger, the combined group will account for an estimated 35 per cent share of the total North American wheel market (including both steel and aluminium wheels), making it easily the biggest supplier.

While this shows that companies can put two sets of assets together to increase market abare. Superior's story is essentially one of evolution. Since It was founded in the mid-1960s by Mr Louis Borick, anese car transplant still the company's chairman and president, Superior has grown steadily concentrating on aluminium wheel manufac ture which accounts for 94 per . already has a joint manufaccent of its annual revenues of turing venture in Europe: it about \$520m.

It now makes 10m wheels a year, five times the figure of just eight years ago. Besides its factory at Van Nuys, near Los Angeles, the company runs manufacturer after Lemmertz four other US plants and one ... of Germany, France's Michelin in Mexico, with the Hungarian and Fergat of Italy.

Trend to aluminium Battle for outsourcing supremacy

It is an industry with bottom. The car seats business, worth some \$15bn a year in North America and Europe, is at the centre of a fierce battle for supremacy between the two main suppliers. Lear

and Johnson Controls, both of the US. Betwaen them, the two companies control half the market for seats in these two regions, or some 70 per cent counting that proportion of it which is not met by in house suppliers to the big car companies.

Both Lear and Johnson claim indus try leadership; each is among the top 20 car parts suppliers worldwide as defined by sales.

They have prospered by homing in on the general trend towards outsourcing to a very large extent. As a result of this, hig carmakers, led

initially hy the Japanese but increasingly including US and European manufacturers over the past decade, have focused largely on design, assembly and marketing. They have left to outside companies a large part of the jobs of sub-assembly and parts manufacture. Seats are a natural unit of car production to leave to outsourcing compa-nies. They are less an integral part of tha car than, say, the engine or transmission. As a result their production and, increasingly, their design, can be handed over to an external manufac-

and the second s

This leads to large cost benefits, as production is left to highly focused manufacturers, who can concentrate on specific areas of design concerned with the styla and safety of the seat itself, rather than on wider issues to do with the car such as fuel consumption and aerodynamics.

As one motor expert put it: "Seat manufacture is increasingly a specialised business which the car makers are happy to leave to someone else." Lear and Johnson each have taken on in thair agats business a method of operating that mixes in the technology

of structural engineering with ideas more commonly associated with interior design. in Europe and North America, each

has about 100 factories making seats and related interior components on a

duction lines.

The trend to outsourcing in car seats is only about a decade old. As recently as 1984, US carmakers nearly all their own seats but now they huy some 70 per cent from outsiders, with the figure for Europe only slightly lower.

Lear and Johnson are largely excluded from Japan where the field is dominated by local companies. Outside Japan, their competitors include Delphi of the US, which is part of General Motors, Canada's Magna, Bertrand Faure of France and Keiper of Ger-

The two hig seat-makers have followed an ambitious acquisition and investment strategy. In Europe alone, Johnson has spent \$500m over 10 years building or acquiring seat plants.

Last year Lear surprised observers with its \$926m purchase of Automotive Industries, a US supplier of interior trim products (such as plastic roof linings and door panels) which are seen as complementary to seating.

The two companies have differed in

groups. Johnson has formed joint ventures in Europe and the US with three of tha main Japanese seat-makers, Tachi-S, Araco and Ikeda, whereas Lear has largely chosen to go it alone.

Johnson's strategy has put it in a good position for winning contracts with Japanese car manufacturing operations in the UK and US, for instance with Nissan and Toyota. It is hoping this will enable it to benefit from seatmaking work for other Japanese car plants to be huilt over the next decade in rapidly growing markets - in

China, for exampla. However, Lear reckons it can also win orders from thesa parts of the world. It is pursuing business in Indonesia and the Philippines with such companies as Ford, GM, Chrysler, Daihatsu, Fiat and Suzuki whila in Korea it has licensed some of its seat-making technologies to Hyundai and Kia Motors.

It is also embarking on joint ventures - for instance, on production of some fahric components for car seats - in

CASE STUDY Lights By Peter Marsh

World beams on US vehicles

Signs of the increasingly international nature of the car components industry are automotive lighting sector.

While the top two suppliers are the inhouse lighting companies of General Motors and Ford, two of the big three US car makers, in third and fourth place and making headway on the leaders are a German/Japanese industrial grouping and a company controlled by one of Japan's hig electrical lighting suppliers.

operations in the US. The deal North American Lighting is in third position in the North indicates the Japanese business's interest in forming stra-American vehicle lighting tegic global alignments as it industry which, according to CSM. a Michigan-based automotive consultancy, has total sales of about \$1.3hn a year. holds a minority share in Dunlop Topy, in which the major-Fifty per cent of the stake lty partner is British conglom-

in NAL is held by Hella, which with Bosch is one of Germany's big two vehicle lighting suppliers, with 40 per cent held by Koito and 10 per

cent by Ichikoh, two of Japan's large vehicle lighting

In fourth place in the sector is I.I. Stanley, based in Battle Creek, Michigan, and which is owned by Stanley Electric, another big Javanese manufacturer of headlights

and other lighting for cars and other vehicles. While Stanley Electric is noteworthy for having transferred a large chunk of its Japanese lighting ontput to Its US subsidiary last year, on account of the strong yen and the attraction of having a US manufacturing base, NAL's rapid rise in sales in recent

Output from its two plants, both in Illinois, has grown strongly to reach an estimated \$250m a year, including not just sales of lighting for new cars but spares for vehicles already on the road. The company has performed

years has been particularly

particularly well in capitalising on its Japanese links. and has emerged as a leading supplier to the US manuf-

and Nissan, two of Japan's big car businesses. The US operation has also marked out Hella - which with Bosch, France's Valeo and Magneti Marelli of Italy (owned hy Fiat) is one of Europe's hig four automotive

lighting companies - as being the leader among this quarter of businesses in establishing a strong US manufacturing presence in vehicle lighting. In the case of Stanley, the US subsidiary is believed to be making about 300,000 lamp mits a month, with roughly a third of these exported back to Japan. In the past the

company, a big supplier of

finished lamps to Honda, has

said that due to lower labour,

energy and materials costs in

the US, lamps emerging from its US production lines should

Hatano in the Kanagawa preacturing operations of Toyota Other hig players in the US car and truck lighting industry include Truck-Lite (part of Quaker State Corpor-

ation) and Wagner, which is owned by Cooper Industries. A feature of the lighting industry worldwide has been the efforts by the hig makers of vehicle lighting elements the light source fitted inside lamp assemblies - to interest the car giants in new, highly intense sources which they reckon help overall illumin-

ation and therefore safety. In the vanguard of these attempts are General Electric of the US, Osram (part of Siemens of Germany) and Philips of the Netherlands, all of which are working on new types of source built either around enhancing the light output from traditional halogen lamps or using a

be around 20 per cent cheaper relatively new type of source than those from its factory in called a gas discharge system. Last November, GE brought out a novel form of halogen lighting which uses a special coating on the surface of the

lamp to divert energy that would normally be wasted into illumination. GR reckous the system provides 35 per cent more light per unit of energy than conventional halogen lights and is the most efficient lamp of its kind available to auto makers.

Hella, meanwhile, is developing a system (called Celis) which uses fibre optic cables to pipe light from a set of central sources to different parts of the car, to illuminate areas where pormally it is not cost-effective in put a single miniature bulb. The company reckons it should be possible to light up parts of the vehicle which may be difficult to see in the dark. Hella says the Celis system should hit the market in about five years.

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US-Japan trade deal: by Nancy Dunne

Benefits are seen

US car parts companies report "significant new opportunities" in Japan

The first Washington-Tokyo deal to boost US sales of anto parts to Japanese companies, concluded in 1992, was overshadowed by an unfortunate incident in which President Bush's lunch found its way into the lap of the Japanese prime minister.

When the world stopped laughing, the Busb Administration insisted that the "action plan" it had negotiated which specified levels of Japanese purchases of US motor parts - would create thousand of jobs. In its defence, Bush officials insisted this was not "managed trade." but a set of numbers established as criteria "to identify problems ... and to correct those problems."

By the time President Clinton came to office, Japan's antipathy to managed trads solutions bad grown more vehement. It took the Clinton administration nearly two years of threats, attacks and ntensive negotiations before a highly touted anto pact was announced

A report, covering the first six months of the pact, was released by the Commerce Department and the US Trade Representative's office last month. It concluded, on an unsurprisingly optimistic note, that the "intensive focus" on automotive issues has resulted in major advances for US com-

Exports of US parts to Japan increased about 60 per cent from 1992 to 1995, growing from \$1bn to \$1.6bn. Since Mr Clinton'e agreement was signed only on June 28 of last year, a large share of the gain must also be attributed to the unheralded pact obtained by Mr Bush on his first and only presidential export sales mis-

The six month progress report says US parts companies that were previously unsuccessful in Japan are now reporting "significant new contracts and sales opportunities". One of these is Tenneco Automotive, which struggled to

• 🤊

market for 25 years, and has just now gained permission to sell Monroe sbock absorbers through Toyota's 1,400 dealeraffiliated renair shops and in more than 6,000 Japanese service stations.

Ohio-based Dana Corporation announced that it had signed a contract with Toyota to be its first US parts supplier and sole provider of auto frames to a Japanese company. A recent survey of American original equipment manufacturers by Washington's Automotive Parts Advisory Committee found that most of the respondents were participating in the design and development

the late 1990s. Thirty-one per cent of those who responded to the survey said they were working with Japanese companies in intensive co-operative efforts; 36 per cent said they were involved in

of Japanese vehicles. Many

expected more design work in

A large part of the gain must be attributed to the pact that Bush obtained

more limited technical collabo-

For whatever reason - the higher yen, the cheaper dollar, lower costs or the pact - Japanese companies have been revving up their business dealings with US suppliers. Toyota is working with a US company. Bodine Aluminum of Missouri, on a \$230m expansion of V6 engine production facilities. It has begun sourcing of about 300 small and mid-sized stampings, currently produced in Japan, with an \$11m expansion of its Kentucky facilities. It is establishing a new company in 1996 to sell imported

aftermarket parts in Japan. Nissan is constructing a \$30m engine plant in Tennessee; plans to begin US procurement of torque converters for automatic transmission this year, and has established a imports promotion committee in its Japan operations.

Honda is expanding its US engine plant capacity by 50 per cent over the next two years. It make headway in the Japanese is doubling its research and

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development capabilities in both engine and vehicle production in the US and deve ing new products exclusively for the US and Canadian markets.

Mitsubishi is increasing its US procurement of column switches, key cylinders, shock absorbers, door hinge latches and antomatic transmission shift levers. Mazda has begun construction of a consolidation centre in Mississippi to facilitate parts imports from the US. The US administration acknowledges that it is difficult, at this early stage, to

markets to replacement parts. However, Tokyo has been moving ahead on its promise to eliminate regulations which act as import barriers. The Transportation Ministry eliminated four auto parts from its 'critical parts list". This means shock absorbers, struts, trailer hitches and power steering systems do not have to be installed by "certifisd garages," which are affiliated to particular dealers and tend

assess the full impact of

Tokyo's promise to open its

to carry few foreign anto parts. The ministry also eliminated rules requiring inspections for most modifications to passen ger vehicles. These regulations used to steer Japanese consur ers toward "certified garage and away from independent garages carrying foreign parts. The government also certified more than 730 new garages between July and November 1995. Most of these independent operations are expected to carry more foreign parts.

The agreement called for consultations between the two governments on standards and certification. On March 23, nine months after the signing of the pact, officials said they had reached agreement on 23 standards issues.

Preliminary evidence indicates that the benefits of deregulation are already being realised," the six-month progress report said. "Japanese consumers have shown a very positive reaction to initial developments. As the number of independent garages and their ability to carry out a broader range of repairs increase, the opportunities for US auto parts makers to sell into the Japanese parts aftermarket will undonbtedly rise."

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■ China: by Tony Walker

Taking the joint venture route

Many companies want a stake in what may be the world's biggest market in 10 years

China's automotive components market will be the world's biggest by 2005, worth \$45bn, estimates Britain's Department of Trade and Industry. The UK components sector, like its competitors worldwide, wants to secure a share of such a promising market.

Mr Ian Lang, the trade secretary, and Mr He Guangyuan of China's Ministry of Machinery Industry signed a sixpoint agreement in February to facilitate UK involvement in the automotive components sector which is predicted to be worth \$9bn in original parts between now and the turn of the century, and a further \$24bn in replacement parts. Under the agreement a working group has been established to exchange information about busin possibilities and help bring together compatible joint venture partners in line with China's policy of encouraging the growth of its components sector.

In 1994, China unveiled a new automotive industry policy aimed at converting a fragmented, low-volume. poor-quality sector into one of the country's "pillar" industries. Beijing instituted a "freeze" until this year on new entrants to passenger car manufacturing, pending development of the components sector, which was to be given priority.

Since the new policy was released, nents manufacturers have negotiated dozens of deals with Chinese partners. This year alone, Tenneco has signed an agreement to produce exhanst systems; Wabco announced deals to produce automotive electronics and braking components; Toyota is poised to announce the setting-up of an engine manufacturing plant; and Delphi Antomotive Systems has added to its presence in China with a joint ven-

ture to manufacture brake components Other major players in the fisld include Lucas Industries of the UK; Daewoo of South Korea; General Motors, Ford and TRW of the US; Bosch of Germany, and Magneti Marelli of Italy, to name a few of a lengthening list of global automotive companies drawn to the China market.

But China's automotive policy is not without its teething problems. Indeed, in the past year or so efforts to expand the automotive sector into one of the country's "pillar" industries have hit something of a pothole with a build-up of inventories and falling prices. The official China Daily Business

Weekly published details this month of a survey which reported that of the country's "top-eight automakers" only Shanghai Volkswagen Automobile had reached economy-of-scale production, turning out 160,000 Santana cars last year and siming for 220,000 this year. Most automakers had been obliged to For example, the First Auto Works in Changchun, north-east China, which produces Volkswagen Jettas and also Audis, cut prices by as much as 80 per cent in the past two years to below

cost-of-production levels. "The downward spiral, a response to the slack auto market, has aroused widespread concern," the China Daily noted. "Institutional purchases are strangled under the nationwide tight credit programme and anti-corruption drive, and individuals shy away from

The time is not yet ripe for a love affair with the motor car

the market under the weight of taxes, fees and traffic bans in some areas."

The time is not yet ripe, it seems, for China to launch itself headlong into a love affair with the motor car. But foreign antomakers and components manmacturers are in China for the long haul and are not likely to be fazed by the market's present downturn.

Under its Policy for Antomotive Industry Enterprises, released in July 1994. China plans to consolidate its vehicle manufacturing sector into two or three "large-scale" vehicle-producing conglomerates backed by a strong indigenous components sector.

The policy envisages sedan car pro

slash prices in response to falling sales. duction reaching 1.2m units by 2000 compared with 320,000 in 1995. Total vehicle production would reach 8m as against about 1.5m last year.

Tough local content rules will be a boon to the components sector as China'e vehicle production rises, but in view of the industry's difficulties some of the optimistic growth forecasts may have to be scaled back, though commercial vehicle sales will continue to drive the market for the time being.

Peregrine, the Hong Kong-based investment bank, in a report last year, said that "manufacture of commercial vehicles will for some time continue to dominate the market in terms of sales volume. In looking at historical figures, markets such as Japan and South Korea both began with an explosion in commercial vehicle demand; only after this was the market then taken over by subcompact cars."

Given this state of affairs, Peregrine recommended that components manufacturers seek joint venture partners to work with ench companies as First Auto Works and Shanghai Auto Works which have a "stranglehold" on the commercial segment.

Investors in the components sector also have the advantage that they are not constrained from taking stakes of more than 50 per cent in joint ven-tures. Foreign companies involved in vehicle manufacture and assembly, on the other hand, are not allowed to exceed 50 per cent ownership.

Japan: by Michiyo Nakamoto

The survival of the fittest

The industry is undergoing a shake-out, while competition from overseas is growing

Last month, when news that Ford was to take a controlling stake in Mazda reached Hiroshima, the Japanese car maker's home town, there was widespread concern about what this would mean for car parts suppliers in the region that have long depended on Mazda for the bulk of their

But for all the car parts maksrs who worried about the impact that Ford's influence on Mazda would have on their future, there were also many parts suppliers who welcomed

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the expanded opportunities the new regime might offer. "If we can win an order for a standardised part (for both

Mazda and Ford cars), production will increase by several times." one Hiroshima-based maker of gears was quoted as saying at the time. These are turbulent times for Japan's auto component mak-

ers. The yen's sharp appreciation until last summer, the move among Japanese carmakers to shift production overseas and the resulting fall in domestic production have combined to squeeze the profits of even the strongest in the industry and forced a reassessment of long-standing business

The trials facing Japan's vehicle component makers have triggered a shake-out in the industry from which the winners are expected to emerge stronger and more profitable at the expense of the

Over the past few years, the yen'e rise has severely tested he ability of car parts makers. ranging from world-class giants to small, family-run

provids the kind of value for their customers which foreign competitors cannot offer.

At the same time, the drop in domestic production, resulting from the globalisation of Japanese carmakers and accelerated by the yen's appreciation, has forced component makers to look for growth beyond their traditional business relationships both in and outside the country.

The pressures weighing down on the industry have divided the fortunes of Japanese component makers depending on their individual ability to deal with the more stringent demands being made on their performance. Most parts makers have

directed their efforts towards cutting costs and developing new customers as they have sought to weather the difficult trading climate. Measures have been imple-

mented to raise production efficiency, source more materials from lower-cost countries overseas and standardise parts and materials that they themselves use, to achieve economies of scale. While the relentless demands by carmakers to slash

peaked last summer when the yen reversed its appreciating trend, pressure to lower costs has continued.

For example, the stronger ven has encouraged Japanese carmakers to use the indicated prices of foreign suppliers as a benchmark to keep the prices of their domestic suppliers down. "The prices of ABS systems have halved over the past few years because Japanese carmakers have used the lower prices of foreign companies as a benchmark," points out Mr Enda Clarke, industry

analyst at Dresdner Kleinwort Benson in Tokyo. Carmakers emphasise that price is not the sole criterion in determining which companies win contracts to supply them with parts. "Japanese carmakers buy about 70 per cent of their parts from outside, so they look for ideas from their suppliers about what kind of new components might be installed in the next model. In the US, suppliers make parts

supplied by the carmaker so

they are not used to providing

representative. Nevertheless, there is no

question that foreign competition is increasing, particularly for parts used in cars produced by Japanese makers overseas. Carmakers themselves emphasise that the pressures they face mean they can no longer be as protective of their traditional suppliers as in the past,

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The practice of procuring from within a group of traditional suppliers is losing ground and more carmakers are buying from suppliers which can provide the hest product at the best price, regardless of affiliation. Toyota, for example, is using headlights supplied by a Nissan-affiliated maker, Ichikoh, on its RAV4 recreational vehicles, instead of the Toyotaaffiliated Kotto Manufacturing. In this environment, stron-

ger parts companies, such as Nippondenso, are expected to do very well as the benefits of their restructuring efforts come through. Nippondenso has just reported a 17 per cent se in recurring profits i the year to March, compared with the last full financial year

Glass: by John Griffiths

Innovations in the next few years should reduce crime and increase safety

The traditional perceived roles of the vehicle windscreen, keeping out rain and wind and as an instrument for the mass murder of insects, are becom-ing out of date. Vehicle glass is undergoing a technological revolution almost as far-reaching, in its way, as that of in-

Within the next few years innovations in vehicle glass will include rain-sensitive windscreens capable not only of detecting rain and operating wipers automatically, but perceiving the severity of the downpour and regulating winer speeds accordingly.

Such a system has already een developed by Pilkington Automotive, a division of the UK group, whose glass is fitted to 25 per cent of the world's The system is not a gim-

mick, insists Mr Roger Thomas, group vice-president. It works by means of a small unit mounted on the windscreen near the rear-view mirror, which measures the reflected light from light-emitting diodes bounced off the screen. Moisture on the outer ecreen surface changes the reflection's characteristics. activating the wiper system.

By the time the system is in widespread use, the wipers should have less to do in any case: for other glass develop ments include a super-smooth surface finish designed actually to repel rain.

Toyota has already laund on the Japanese market its first models with side glass, supplied from Nippon Sheet Glass, treated with a compound which reduces the surface tension meniscus of rainwater so that it no longer clings to the glass. The technology is expected to be taken up more widely within five years, although technical problems remain in terms of

durability when applied to windscreen glass.
Also expected to spread

increasingly through vehicle production is solar-reflecting glass, capable of excluding most of the sun's heat currently let into vehicle interiors by conventional glass. According to Pilkington, conventional glass keeps ont less than 20 per cent of solar-generated heat, whereas the reflective glass excludes 80 per cent. It is already being used by North American carmakers, particularly for vehicles de thred for sunny markets such as California and Florida.

Destined for wider use also, says Pilkington's Mr Thomas, are heated front windscreens increasingly needed as fewer vehicles enjoy the luxury of garages. Pilkington's Triplex subsidiary "Hotscreen" is already seeing use in Ford's top Scorpio models, for exam-ple, and as production economies of scale build up, applications in cheaper cars are expected to follow.

The role of windscreen glass as a location for an embedded radio reception antenna, safe from vandals and antomatic car wash brushes, is expected to increase substantially. The amount of external data transmitted to a vehicle is destined to become more complex. Satsllite-based ronte guidance information, mobils phones and fax/computer transmissions are likely to require separate aerials for most efficient transmission and in the future are most likely to be conveniently "packaged" within a vehicle's front or rear screens.

With car crime soaring

through much of the developed world, glass is also seen having a more prominent rols to play as a security measure. While windscreens are now laminated and resistant to catastrophic failure, most vehicle side window glazing is made of easily-shattered toughened glass. But for a relatively low cost premium around \$150 on a small family car - laminated glass could be substituted as a security mea-sure, keeping thieves out and e event of collision - helping keep occupants in. One quarter of passengers thrown ont of a vehicle in a crash are killed,

ty's accident research centre. Further off – but still within the next decade - are windscreens incorporating "HUDs" (head-up displays), in which information is projected into the driver's line of sight instead of requiring a glance down at the dashboard. Pilkington and several vehicle makers are working both on this and a night vision the infra-red technology used by military forces.

Unfortunately, hopes raised by BMW earlier this year that tt had an answer to one of the worst problems to plague motorists - bugs splattered on windscreens which are then baked by the summer sun proved short-lived. The German carmaker said its Munich research engineers had developed a flexible and transparent "IDS" (Insect Deflector System) windscreen surface coating of styrene, butadene and isoprene. "In tests, cars have been able to drive through swarms of insects at speeds up to 95mph unscathed the insects colliding with the screen simply bouncing off, the press release reported. It was dated April 1.

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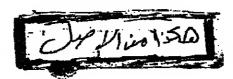
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Apollo Group

A haven from prejudice

With academia elsewhere closed to teaching for profit, the company's boss turned to Arizona

When he was not wrestling with politicians and educational regulators, John Sperling used to keep fit and feisty hy banging his bead against the brick wall of academic snobbery. Now, at 75, the president and chairman of Apollo Group keeps in abape with a couple of gymnastic work-out

sessions a day. It has been a long haul since Apollo's launch in the mid-70s but the founder of the largest for-profit educational company in the US ahows no sign of flagging.

The University of Phoenix, flagship of tha business, has 35,000 enrolled adult students at -70 US campuses. A further 13,000 study courses conducted at 100 other colleges by Apollo's Institute of Professional Development and the recently acquired Western International

Almost 2,000 atudents now log on regularly to online learning sites, and Mr Sperling predicts that, in five years time, there will be 100,000 worldwide hettering their brains and prospects via Apollo's Internet service.

A bold new venture in the planning foresees online learn-

ing for the victims of America's ailing elementary school system. Marketing of online courses will start soon in Britain, at present home to just one WIU campus in London's Docklands. PhD courses are planned for next year to complement a product offering which ranges from MBAs and less grand business courses. through MSc in computer information systems to bache-

lor's degrees in nursing. "Now that we're sitting on a pile of money we can afford to be really creative," he says.

1998, Apollo's share price has increased 1,200 fold, be says. "For a long time we we Revenues have doubled in the interim to \$163m last year, while net profit has risen by a factor of 20 to almost \$13m. A recent secondary offering

of 1m shares netted Mr Sperling and other executives soma \$85m, leaving the president and his son Peter - vice-president, administration - still holding about 48 per cent of

Mr Sperling is uncertain of prospects for success in foreign markets not because of doubts about his product, but because of his experiences in the US. "Education in the UK and Europe is still government dominated. Even universities that are supposed to be independent are under government control," he says.

The first hurdle was Mr But be has little doubt that Sperling's former state univereducation for profit has broken sity employer who turned op the barriers of prejudice which its nose at his concept (develstalled Apollo for years. "They used to look down their noses oped courtesy of fedaral grants). "They said it wasn't Since going public in late at us. Said we were a ratty their kind of thing," he recalls.

hurdles

"For a long time we were treated like pariahs. But since

we have gone public we have become the Cadillac of educa-

tion schemes. A year ago we

had the analysts in and they

didn't believe a word I said. But that's changed," he says.

"John is a brilliant entrepre

neur with an excellent idea well executed," saya Peter

Appert a stock analyst at Alex

Brown & Sons in San Fran-

most basic sense as a product.

He has made it appealing to

the consumer, easy to huy and

added value. But make no mis-

take, this is no overnight suc-

cess. He has overcome tremen-

dous regulatory and political

"He looks at education in the

The first break came from a friend at private, not-for-profit Stanford University, who concluded that the only place for commercial private university education to prosper was in a private university, on condition that it was in danger of going bust.

on de la companya de la co

A Jesuit, Father Blll McGuinness at the University of San Francisco, listened, attracted 1,500 students in the first year, and resolved his financial crisis.

> Since we have gone public we have become the Cadillac of education schemes'

Mr Sperling'a Instituta of Professional Davelopment (IPD) was soon providing similar services to other colleges, and its inventor found himself stuck doing the wrong thing. "I was spending 90 per cent of my time on professional maintenance, sitting in committees with deans and auch," he says. Looking for an opening in

the regulatory thickets and academic ranks which were closed against accreditation for gar notion of teaching for profit, ba chanced on Arizona. "It was like the Wild West in 1976. All I had to do was go down the road and register a

name," he says.

Drawing cash flow from IPD and investing \$3m, he opened the University of Phoenix, which today occupies two elegant huildings close to the city's airport, and a comfort-able distance from the teeming campus of Arizona State.

UOP has no clubs, dormito-ries, bars or sports facilities. This is a corporation, not a social entity." Mr Sperling says. "The most precious thing our students possess is their time. Coming here is not a rite of passage. Wa are not trying to develop their value systems or go in for that 'expand their minds' bullshit."

Typical UOP students are 35, have an average 10 years' work experience and live in housebolds with \$65,000 annual income. "These are solid middle-class types who are deter-mined to remain middle-class," says Mr Sperling.

They are drawn to the university partly by personal desire to rise off a career plateau or, often, with encou ment and financial belp from

their employers. The incentive, says Mr Sperling, is in dramatic changes in remuneration rates for educated workers. A university graduate who in 1980 could earn 25 per cent more than an age-group peer with high school qualifications, can now enjoy a 95 per cent premium. More than a quarter of the

students from UOP'a Class of '92, according to a recent poll. claim to be earning between 30 and 50 per cent more than they were before graduation. A fur-ther 54 per cent have improved their incomes hy between 10 and 20 per cent, while 20 per cent have managed 10 per cent or less. "Of course, they might have been lying," says Dr Sperling.

But, he says, there can be no challenging officially verifiable data on the basic economics of his system. Building a public college takes 10 years and costs \$1,560 a student place. "I can open in leased premises in six months for a capital outlay of \$432 a student," be says.

The average, overall annual cost of public university education in the US is \$7,618 a student. Costs at private not-forprofit institutions - after allowing for tax exemptions, grants and loan subsidies - are

almost the same. The UOP model, bowever, generates a net return in cor-

porate and other taxes of \$101 a student, Mr Sperling says.
At the grass roots, student confidence is high. Alumni ratings show 70 per cent ranking their courses as "good or outstanding". The university also has the trust of some of the biggest US corporations. It is

These are solid middle-class types who are determined to remain middle-class'

sole provider of further education to AT&T, the long-distance carrier, which last year spent \$4.5m with the company.

There is even some recognition in the airy realms of the academic world, where, as one analyst notes "the concept of growth is still really out of the

PROFILE Def Webb group

Where snowbirds come to roost

Del Webb

"Retirement is an industry and it should be treated as sucb," says John Spencer, chief financial officer of the Del Webb group. He says its contribution to creating jobs and wealth should be acknowledged in tax policy, for example with special consideration for retirees who often live on fixed incomes.

Mr Spencer has in mind the thousands of pensioners who US to a retirement in the Sun Belt: California, Florida, Texas, Nevada and Arizona. California and Arizona,

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home to the Del Webb development group, are the only two which still levy state income taxes. The burden is not severe and Mr Spencer's argument

may seem a quibble, but not to Del Webb, which is a company increasingly dedicated to building homes in master-planned communities for people aged 55 and over.

1994 More than 70 per cent of the homes it has built to date are designed for this fast-growing and relatively wealthy group, politely known as "active adults". The focus has sharpened since 1989, when the group sold the last of its diversified interests in resort activities and gaming. Every day more than 6,000

Americans celebrate their 55th birthday. Three years 8,000. Today's 55-year-olds have an average 20 years ahead of them.

Worth \$3bn a year now, the retirement bousing todustry is expected to increase tenfold by 2011.

Some 80,000 people live in Del Webb's five tailor-made Sun Cities throughout the Sun Belt. Their requirements support some 600 local businesses, and they give thousands of hours in voluntary community services. They even put up with being called Sun Citians.



A fast-growing group: more than 70 per cent of the homes Del Webb has built to date are designed for people aged 55 and over

In the Phoenix area alone, Del Webb reckons residents have a combined net worth of S8bn, and annual income of 51hn. They spend \$300m on goods and services . . . and pay

\$32m in local taxes. Del Webb says its retirement communities are not corrals for grey Americans awaiting death. Mr Spencer rejects charges

of social engineering: "We

foster their living environment. We build golf courses, swimming pools, ballrooms and theatres, then we turn the facilities over to the home-owners'

"Some experts say we are wrong. But it is not wrong to have a homogeneous society. The residents choose to live here because they have much in common with people of

associations.

their own generation." But they also show diversity. Some still work. Most are active outside their often guarded and gated communities. "But at nights they come home where they feel safe," Mr Spencer

concludes. Although Del Webh's results have historically demonstrated its target market's extreme sensitivity to economic swings, the company feels safe in its niche. So-called push factors congestion, crime, pollution and frozen winters - show no signs of relenting in regions more densely populated than the Sun Belt.

Pull factors - resort atmosphere, relatively low costs and security - are Del Webh's stock-in-trade. The good weather comes free.



Rawhide, a Wild West 'town' where tourists can have their picture taken inside his pretend jail

Profile: Joe Arpaio

Taking a tough guy stand

Maricopa County's sheriff has become famous for his no nonsense approach

to crime Joe Arpaio, Sheriff of Maricopa County, who has just published his autobiography*. reckons he is owed an award by Arizona'a tourism industry. You saw what happened in Florida when those scum shot nine German touriats," he saya. "But people can come bere and know they're going to

Sheriff Joe is a snappy-snarly Wild West hero in chino pants. who has drawn international attention with his tough-guy response to crime. He still advertises vacancies in his famous Tent City prison. The complex of ancient canvaa scrounged from the military bouses more than 1,000 convicts, who lunch on balouey sandwiches, get no coffee, no movies, no cigarettes, no soft porn - and precious little sympathy from the Phoenix popu-

Mr Arpaio, now an elected law man after a hair-raising 35year international career with the federal Drugs Enforcement Agency, is reputedly the most popular politician in Arizona's

history. The canvas jail was his response to budget cuts which would otherwise have forced him to free prisoners for lack of more usual accommodation and guards.

It was also a manifestation of his conviction that prison is a punishment and that recidivism can be reduced only if criminals can be made to dread confinement

Since prisoners readily volunteer to work in shackles on his chain gangs, it can safely be assumed that Tent City is working.

So too is Sheriff Joe's 2,500head posse of volunteer civilians. This provides his cashstrapped department with millions of unpaid hours of work annually including helicopter services and borseback patrols. It has made its name in aweeping prostitutes, car-jackers, pickpockets and drug dealers off the streets of Phoenix.

Often armed, and under the supervision of a deputy, they are usually deployed in large groups, a tactic known as overwhelming force". Within weeks of the launch of an antidrugs initiative, the posse had rounded up 300 dealers.

Now, Len Sherman, a posse member and co-writer of the sheriff's book, is working to establish a National Posse Alliance to extend the raw populist tactics of the Maricopa County force throughout the

He is also negotiating with the Viacom media group to col-laborate on a fictional television series pilot featuring "the ordinary people and the volunteerism which make the posse work". There will, nsturally, be a "central figure", who may or may not be based on the real-life star.

Sheriff Joe appears to find previous fictionalised versions of his work unsatisfactory. Writing of his time based in Turkey, he says: "It was just me, my snub-nosed .38, and a very small bankroll, up against the international opium trade.

"The task was daunting in scope and importance. Turkey's endless fields supplied the opium for the laboretories of the Corslcan syndlcate in Marseilles, which cooverted the raw material into...heroin which was shipped to America.

"I would finally break the conspiracy and arrest Armand Ricord, the mastermind of the entire operation, whose power and position were so entrenched that I bad to secretly spirit him out of Paraguay and to the US against the opposition of our own ambas-

"A Hollywood movie would later drematize, immortalize and misrepresent a small part of this criminal enterprise, known to the world an The French Connection."

America's Toughest Sheriff -How we can win the war ogainst crime, by Sheriff Joe Arpaio with Len Sherman, mit Publishing, about \$25.



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Trofile: Jerry Colangelo

Mr Phoenix spreads his wings

The owner of the Phoenix Suns is one of the most influential figures in the state

According to popular theory Jerry Colangelo became Mr Phoenix by default.

"It's odd," says one fan, "that the most powerful man in town should be a sports magnata. But he was just about the only influential figure left at the end of the '80s.

"First all the savings and loans want under. Then the banks were taken over. Then all the executives at America West [the airline] were thrown out. That left just Jerry."

Mr Colangelo, who arrived in 1968 as manager of the tha Phoenix Suns basketball team, likes this analysis. Along with a jumble of more routine commercial ventures, he now controls the Suns and has interests in the soon-to-arrive Arizona Diamondbacks baseball crew and the Phoenix Coyotes hockey team.

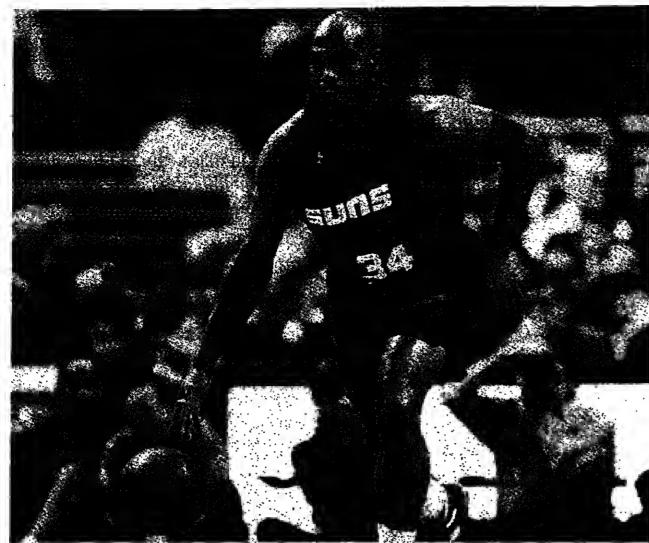
I heve been e constant while all the others have turned over," he says. He has not courted prominence, he claims. It has been foisted on him by virtue of his experience and the natural tendency of newcomers in the business world to gravitate towards the best source of local know-how. Another view that is fre-

quently aired, is that Mr Colangelo is e wheeler-dealer of the "good ole boy" type who has Manipulated a weak city government to his own benefit.

Opinton is also divided on the value to the economy of his part in revitalising downtown Phoenix. He was the force behind the building of the America West basketball arena and the soon-to-be-completed baseball stadium just two blocks away.

"Every city should have a heart to it," be says. And in a young community such as Phoenix, with no traditional focal points such as a cathedral, and without the "old money" to support artistic performances or museums, sports can act as the necessary social

"Five million people a year come visiting downtown now, and there will be 10m a year in



1998," he says. They bring jobs and life to an area usually deserted after office hours.

Mr Colangelo's success in persuading the city to contribute taxpayers' money first to build the Suns' arena and now the \$300,000 baseball stadium still rankles with many business leaders in the area. He calls it "public/private partnership and a model for the

Eric VonDohlen, a public policy researcher at the conservative Goldwater Institute, objects to this on policy grounds. "I don't believe it is civically important to have a vibrant downtown. Central Phoenix is like Houston: noone lives there.

Those who promote innercity life are merely hankering after rosy half-memories of life back east in New York City, be

In an area in need of infrastructure investment, he finds it "an extremely poor idea" to fund publicly an effectively private project, even though the stadium will be owned by the county authority and will earn

Disgruntlement extends far beyond the ranks of opponents identified by Mr Colangelo as "anti-tax people who went bonkers when they heard". But no one doubts his contribution to putting Phoenix on

the map. The city once rejected

by an NBA committee as too

playing all four of the US's eading sports. The fact that Phoenix staged this year's Superbowl football

clash - attracting thousands of fans and national media attention - was ultimately due to Mr Colangelo's influence, one ally says. Matt Crow, president of the

"western" for a franchise, will

soon be one of only a dozen in

the US with big league teams

Arizona Biltmore hotel, goes further. The Balkanisation of the Valley was once regarded as a big obstacle to its economic success. There were too many separate municipalities,"

"But now people are united behind a sports team. They

home base of Koreatown, central Los Angeles, was a significant - but not the only - factor influencing the decision of the newspaper Daily Racing Form to shift its

In the late 1980s one company driver bad been shot and another employee pay cheque. Then, in 1992, front lawn of the national as a marshalling yard for their haul, the management could no longer ignore the rate of decline in the

According to Bill Dow, with the "unfriendly" business climate in LA. In addition, it faced a steadily readership profile and the

The Daily Racing Form

Turf paper backs the state capital

Social decay in its former offices across the desert to currently about \$1.2bn a

had been mugged cashing his when rioting looters used the turf daily's former head office neighbourhood.

chief operating officer, the company also had to contend shrinking market, an ageing need to update its production.

It had been wakened from its editorial complacency by sharp but short-lived competition from the late Robert Maxwell's npstart Racing Times. At the same time, its management was under pressure from its new owners to improve

Daily Racing Form, the oldest and still the only daily newspaper covering thoroughbred racing in the US, had been scooped up shortly before by K-III Holdings. This

steadily-growing media offshoot of the Kohlberg Kravis Roberts group publishes an eclectic list including Seventeen, National Hog Management, and Funk & Wagnall's New Encyclopaedia. Revenues are

The century-old paper's 30-year-old printing presses were beyond further conversion, and the Racing Times technology had put the old-stager's glue pot

The paper's challenges now lie strictly in the marketplace, says Mr Dow. where the fortunes of live horse racing are fading in the face of competition from casino gambling and ball

"The total amount of money bet is going up. But racing is a pretty expensive proposition for fans and owners. Our main market is people in their fifties with both time and money," says



techniques to shame.
Accordingly, printing was contracted out to seven sites across the country. The best of the would-be competitor's desk-top publishing

technology was booght for knock-down prices. Since early 1993 the daily process of generating and disseminating 3,000 different pages of editorial text and tables has been carried out in an airy Phoenix office.

As Mr Dow has discovered, 'you can operate electronic publishing from anywhere". Correspondents file material from racing centres around the country, and 60 staffers in Phoenix take care

mainly of editorial

Mr Dow. The rising popularity of betting on horses from the boozy-cozy confines of America's sports bars has prompted the paper to help fund generic promotions in a joint venture with track owners aimed at enhancing race track services and drawing participants -

especially younger ones -

live events. Revenues from sales of the paper, which peaked in the. mid-1980s at about 30m copies a year, are being bolstered by services to race. tracks which include race card and programme production, printing and data

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to them personally.

Developers' pulses rise

With office vacancy rates at only 10 per cent, prospects for the sector look good

have a link. Nobody bere

believes the Suns dan't belong

greatest contribution: he's

established e common cause.

"That's Jerry Colangelo's

The floods of office space which have swamped the Maricopa County market since the late 1980s have dried up. As a result, rents increased last year in an estimated range of 15 to 25 per cent to an average rates of developers and estate

After a four-year respite during which no new buildings were started or npened, and net office absorption rates averaged almost 1.4m sq ft a year, the Phoenix area stands on the brink of "a very significant property boom", according to Elliott Pollack, property pal economic driver. consultant

It will not however, be as significant as the last boom which, at its light-beaded height in 1988, saw more than 80 new office buildings sprout in one year. By his reckoning, construction of commercial property in the Greater Phoenix area - already stirring will eain pace towards the end of the decade.

Current developments include last month's start on the first phase of the 500,000 sq ft Sumitomo silicon wafer factory, which is expected to generate revenues for local builders alone of almost \$100m.

A im sq ft business park .the biggest in the state - is planned on a 30-acre site close to the Sky Harbor Airport soon need up to 10m sq ft of ft, spurring ground-breaking which has been sitting idle in the portfolio of a Missouribased investor for 10 years.

In Scottsdale, to the north. Smith Barney, the investment brokerage, will anchor a. 350,000 sq ft, three-building project, construction of which as just started.

According to local analysts, the change of focus in the construction industry from heavily labour-intensive home building to commercial property will slow employment growth in the sector from more than 8 per cent last year to about 3 per cent this.

However, the expectation of further immigration - and the addition of more than 160,000 new households by the end of the century - is predicted to ensure the building industry maintains its role as a princi-Office vacancy rates in the

Phoenix area are at their lowest in more than 10 years, and, one third of the 1986 peak, when the market was inundated with more than 5.6m of new square footage at the eight of the region's last, ill-fated boom.

Office vacancy rates are expected to shrink to a slender 8 per cent by the end of this year, and reach the turning point in a six-year slide. In 1991, when the city saw its last office construction project completed, vacancies were still close to their cyclical peak of 25 per cent.

Mr Pollack, is that the city will

new space in the medium term for its fast-growing service industry base, and a further 25m sq ft for industrial pur-

Although Arizona's economic growth is moderating, and US inter-state migration is slowing as national conditions improve, the incentives to Invest in the Phoenix area remain strong.

The issues include less-defined restrictions on develop-Tom Miller of Jones Lang Wootton in Los Angeles.

Supply and demand ratios Phoenix will soon need up to 10m sa ft of

new office . space

have improved significantly, but the quality of life thing is such a positive, as well as affordability."

While much commercial development occurs on the fringes and in suburbs - a factor helping ease freeway congestion - downtown Phoenix's resurgence has also roused interest in the construction of at least one new international

. According to a survey of leading local estate agents by the Arizona State. University, office space absorption will rise 25 per cent this year to 1.5m sq on new projects to supply a further 500,000sq ft.

The construction rate will more than double in 1997, while availability will continue to shrink, the study says. In the residential branch the

apartment market is reasonably balanced after permits were issued for 9,000 units last year - a 33 per cent increase while demand for single-family houses is probably past the peak this time round, accord-

ASU data shows that retail development more than doubled last year, and foresees modest declines this year and next with fairly steady absorption keeping the vacancy rate

at about 8 per cent annually. As elsewhere, much attention has focused on the development of one-stop so-called "power centres" which typically comprise clusters of

fiercely competitive retailers. While such developments are still buoying the market, there is some concern that the cut-throat strategies driving their construction - combined with emergent competition from internet selling - may

iead to a less favourable

Although the latest data shows a retailing vacancy rate of about 9 per cent, some analysts claim Arizona has more than double the national average number of shops are stores per resident - and almost four times as many restaurants. Leiaure spending may have its limits, they sug-

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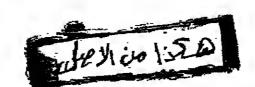
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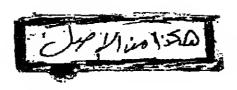
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■ The Navajo Nation

Chipping away at the glass curtain

Boosting the economy could mean more contact with damaging non-Indian culture

Just like America's other president - the one in Washington - Albert Hale governs in trying circumstances. At one level, in his faraway

capital at Window Rock on Arizona'a eastern horder, the elected president of the Navajo Nation governs 220,000 people with a shrinking budget, buffeted by tribal strife, and mired in a stifling hureaucracy.

While President Bill Clinton has bothersome neighbours in Cuba, President Hale contends with the Hopi, whose reservation is entirely enclosed by Navajoland's 28,000 sprawling square miles.

At another level, the leader of the largest Native American group in the US is torn between the need for economic development and capital and the entrenched desire the Navajo share with many other Indian peoples - to remain isolated from the alien influences and and social ills of the "New

Our isolation and the lack of infrastructure is beneficial because it keeps people away," he says.

But in the same breath, Mr Hale coocedes that in a highdesert land of climatic extremes, where two-thirds of the bomes cook on wood stoves and have no electric power, there is a need for "infrastructure - roads, power and water

He still has no clear answer to the conundrum of how the dead-in-the-water Navajo economy can be made to move without the Inbrication of imported capital, skills and outside influence.

His total government hudget for this fiscal year - comprised almost entirely of falling federal grants (some 75 per cent of total revenues) and coal mining and oil pipeline royalties is \$93m, down from \$101m last

Mining corporations are the outsiders with whom Native Americans have the longest and - if the term is appropriate - easiest relationships. Mr Hale, a rarity among the Navajo with his lawver's training and 15 years of free-market experience, wants to "restructure" relations with the extrac-

tive industries. He sees an opportunity in the looming deregulation of the US energy industry, pres-

'I want to discuss and partnerships with the mining companies'

aged by power price cuts in Arizona and planned reductions in California, which are already eating into coal prices and Navajo royalties.
"I want to discuss joint ven-

tures and partnerships with the mining companies. There are a coupla we know which are interested in opening new lands for mining," be says. A new deal would require an

entrepreneurial spirit which

sovereign national economy which relies for most of its vage-earning employment on the federal and Navajo governments.

Mr Hale wants to cultivate business attitudes and foster risk-taking through an abrupt break with the methods imposed along with the reservation system by the Bureau of Indian Affairs - and replace them with the decentralisation strategies adopted by governments and corporations world-

Money is the lever he has

applied under his proposed local empowerment project. It calls for the proportion of his national budget dispensed by the Window Rock executive to be reduced from 59 per cent this year to 20 per cent in 1998. The 19 per cent currently at the disposal of 110 local "chapters" - a loose term for Navajoland's tribal, clan and geographic subdivisions - will increase to 60 per cent.

The aim is to end the bureaucratic stranglehold of the centre on local planning and husiness development prohas yet to manifest Itself in a jects and, by allowing local

units to make their own plans, to foster small husinesses natioo's brightest to stay.
"We discourage the young

and a secretary contribute at the confidence of the second and the confidence of the

from staying here and developing businesses hy the red tape we have put in place," says Mr Hale. "We call it the brain drain."

However, factions in the entrenched hureaucracy, a tight-knit group clustered in the status-rich neighbourhood sheltered by the wind and water-carved Window Rock outside his office window, resist his schemes.

Other hurdles to be overcome include the meagre supply of highly-educated individuals and skills. Funds agem even more of a problem, with only \$18m of central budget money to go round this year, and a husiness development fund which has just \$2m in the

Big city financiers are one potential source of aid. but they are clearly not top of Mr Hale's visiting list, "Tm still deciding where we will go for finance," he says.

Once again, the Navaio

Nation seems to he pressing hard against the glass curtain which separates and protects it from further encroachments by the outside world.

Mr Hale, who as a boy was saved from tuberculosis in a modern hospital after traditional medicine and ritual failed, is unusual in that he has lived beyond this curtain and returned. He appears to have come back with his resistance and his resentment of alien influences reinforced.

Impressed in the '60s hy the civil rights and Black Power movements, he concluded, as he said in a recent interview: "While they control the rulemaking, they control the game. So I went to law school."

Now he is helping make new rules - guided by experience which started with learning self-reliance as a shepherd boy and stretched to membership of the New Mexico Bar Association - which he hopes will ensure the economic and cuitural prosperity of the Navajo. Gambling dollars, harvested

as the "new buffalo" by many other Native American peoples, were narrowly rejected as

a potential source of revenue in a recent referendum. Mr Hale's economic advisers urge

a review. But be stands fast. The lawyer-statesman in him takes issue on principle with federal legislation which says the Nation must have the approval of Arizona state authorities in order to open

"If I am a citizen of a sovereign state, that must be my choice," he insists. And if progambling factions want to reopen the issue "then they must first ask the people

again But it is the Navajo in President Hale which provides the sternest resistance to casinos. Although drink is hanned on the reservation, the roadsides glitter with bottle shards and alcoholism is prevalent.

"We already have our share of social ills. Why add to

Hopi-Navaho relations

Ancient grudges fuel modern disputes

The two tribes have fallen out over water extraction and ritual doll manufacture

"In the natural order of things the Hopi would drive off the Navajo, and keep them at a distance," says one local in the mesa lands of the Hopl Indian

reservation. But natural order in the Hopi tribe's territorias spread around villages continuously inhabited by the same people for at least 1,000 years is debased by intrusion and constrained by the imposition of artificial reservation bound-

The nature of the ancient resentments between the two groups has changed little. They stem from cultural differences rooted in the agrarian. congregating nature of the

Hopi and the looser, more nomadic Navajo tradition.

Conflicts of economic or, often, spiritual interests between two communities encircled by reservation fences can still lead to violence. Straying cattle may be ahot. But legal action and face-to-face negotiation are more commonly used to settle

The Hopi recently lost a battle to gain legal protection for their internationally-known "trademark" Kachina dolls. Hopf representatives alleged that five Navajo-staffed "factories" had been opened in New Mexico to mass-produce the ritual figurines, symbols of messenger spirits linking the Hopi with other spirit bodies.

"Legislators in Phoenix are now providing [conditions] so stealing of Hopi culture by Navajos will become legal," claimed the protesting Hopi chairman, Ferrell Secakuku.

Even when the tribes could have a common cause, there is room for friction. The use of vast quantities of scarce desert water supplies for slurrying coal from the Peabody group's workings on Black Mesa is

aggravating tensions.

According to bydrological The indigenous people remain

unified in their mistrust of the outside world surveys and anecdotal evi-

dence from farmers, parts of one the region's largest aquifers - vital to both communities - are collapsing and springs are drying np. Royalties from Peabody, part of Hanson, provide an estimated

funds, yet tha main beneficiaries are also the main source of insistence that a court order reducing Peabody's mining licence to "temporary" status should be enforced, even to the extent that mining should be stopped.

Meanwhile, the Navajo have elected to intervene in an appeal in support of Peabody, which, according to the court, had breached many mining regulations.

According to Joanne Bercu, editor of the official Hopi Tutuveni newspaper, the miners use up to 1.5hn gallons of water annually to pump coal slurry to far-off power sta-Hons, "If we use it up, people will not be able to live bere," she says.

The alternative, which the Hopi suspect conceals an ulterior motive, is a pipeline to bring water from the Colorado River. It will bave to come 80 per cent of Hopi tribal across Navajo land to reach

become a "bargaining chip", in the hands of the Navajo, says Ms Bercu.

But if old rivalries among the 21 Native American tribes and groups in Arizona divert energy from the more pressing issues of economic improvement the indigenous people remain unified in their mistrust of the outside world.

The minority Hopi in particular, whose culture, rituals, religion and renowned dryland farming techniques have been subjected to repeated dissection by scholars, writers and other visitors feel they have too much to lose to compromise it further.

They rigorously ban photography, sketching and recording - and impose dress codes at their Kachina dance ceremonies in the summer when the tourists swarm. Many other ceremonies are secret. Their land is sacred and is dot-

ted with countless shrines and sanctuaries closed to ontsid-

Ms Bercu, who has lived and worked in the area for nine years, points ont there are people still alive who remember atrocities against the Indians, and everyone on the reservation is aware of relatively recent federal efforts to impose English as the official language.

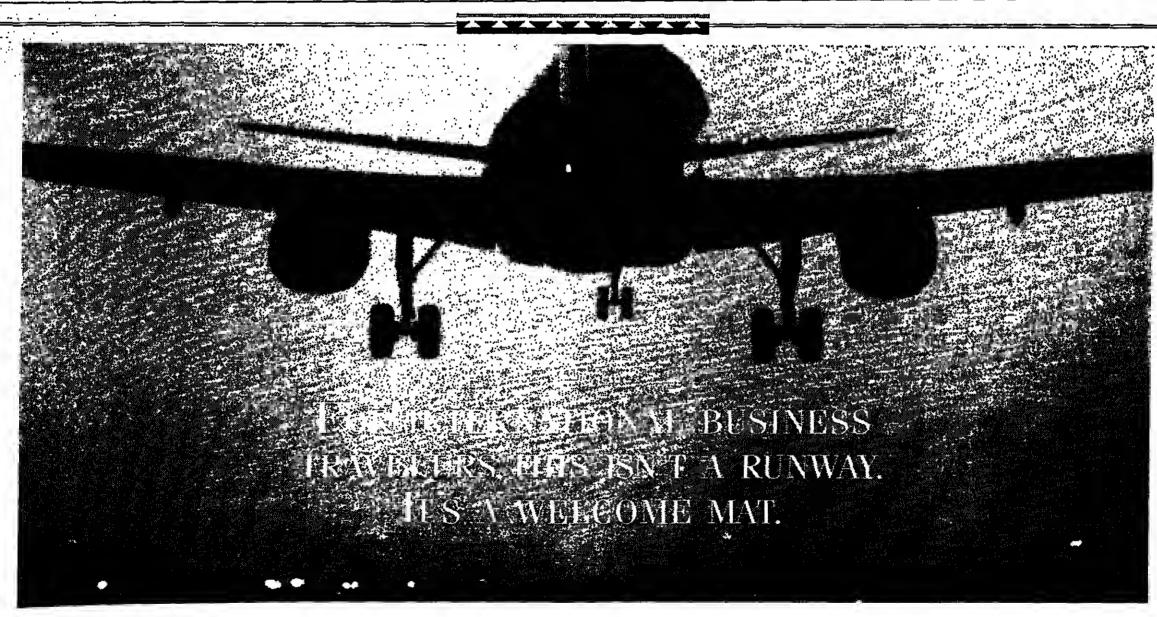
Now all alien influences are kept at arm's length. For Ms Bercu, a Cancasian, "fitting into the community has not been an option", she says of herself. She also recalls the rejection of approaches from an Israeli foundation which came prepared to establish a desert agriculture project using brackish water for irrigation.

"It would have opened the floodgates of agriculture department money," she says. "But the scheme would have



been inappropriate, disrespectful of the land. "Culture is a laxury for

large communities. For small groups like the Hopi it is a



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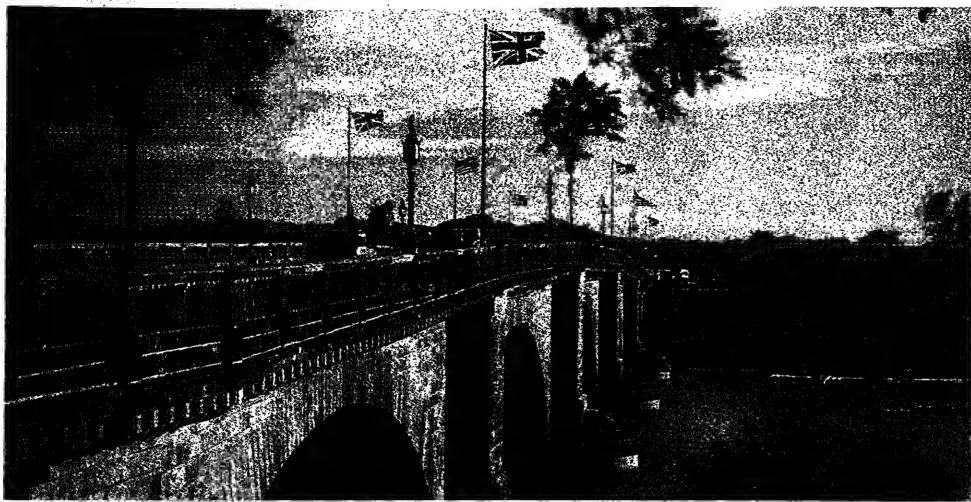
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Mutton with everything

Christopher Parkes' trip takes him from the grand old Biltmore to the Navajo Nation Inn

Even in mid-April this year, when day temperatures were 85 degrees Farenheit and more, the idle contemplation of foun-tains was in full swing at the lush Arizona Biltmore.

This grand resort, which claims status as one of Arizona's historic landmarks by virtue of its design origins in the architectural school of Frank Lloyd Wright, was built in 1929 as a modern-day desert

Although Phoenix's smartest neighbourhoods have since spread out and surrounded it, the hotel's ground-hugging protwo golf courses, cool walk-ways and the backdrop of Squaw Peak and Camalback Mountain protect its air of iso-

Sky Harbour International Airport is only 20 minutes away. The local five-star mall - sitting at tha key city intersection of 24th Street and Camelback Road - is within easy walking range for the heat-re-

The Biltmore, which claims to be the first hotel in the world to win a five-star rating, is primarily a resort. It has an efficient business centre, voicemail in all rooms, and offers deals for business conventions. But a quick lunch is best taken

The lounge is fine for groups, but there is little scope for solitary visitors to engage bar

seem to work in a constant, hyperactive lather.

There are no such problems at the alcohol-free Navajo Nation Inn, a bare-bones pre-fabricated motel in Window Rock, the depressing, dusty For the truly

desperate, there is a sand-blasted McDonald's across the way

high-desert capital of the It is as good as much else in

Indian country's sparsaly served hotel market, but warm

welcomes are not on the menu. Nor is haute cuisine. One supper speciality - grilled mutton ribs, mutton crackling rolls and mutton-and-potato stew, all unblessed by seasonings is a cardiologist's nightmare.

For the truly desperate, there is a sand-hlasted McDonald'a across the way which appears to have been dropped off by a passing tornado. Local-range beef steak at the Hopi Cultural Centre Motel, a

few miles east of the Hopi tribal centre at Kykotsmovi. offers an authentic taste of the old west, but demands stout The accommodation is a

notch up from Window Rock, hat whan the wind is up. swishing desert sand against the windows, the superstitious or indigestion-prope may find

Dust and diamondbacks Once bitten

Rattlesnakes rank high on many visitors' anxiety lists. But Arizona offers more serious hazards for the

Since only 15 per cent of the state's 118,000 square miles is privately owned and development is sparse outside the main cities, travellers should carry ample water, petrol and other necessities. Tha distances between

attractions are far greater than most tourists are used. to. Blinding dost storms are common in many areas. Bright sun is always a hazard to drivers and elk are roadside grazers in forests. Native American beliefs -

in the sanctity of the land,

rituals will almost always lead to an unpleasant confrontation. Rattlesnakes emerge from hibernation in March, They are common in the desert

and not unknown in urban areas. They bite although they are usually shy. According to state medical records, up to 50 people are hitten annually. But only six deaths have been recorded in the past 10 years.

springs, seeps and rock

not curious relics.

formations - are essential

elements of their lives and

Trespassers on their lands

Ignoring rules on dress or

are asking for trouble.

photography at Indian

Alcohol is forbidden.

Feel the heat

Scorching temperatures are not deterring a growing number of visitors

"Sit out there in summer, watching them fountains and you'll pretty soon get to wondering how much of that water goes up in the air and how much of it comes down." Phoenician wisecrack.

Summer in Arizona is offseason for US visitors. Locals hug their air conditioners and carry their dogs on daytime walks" for fear of burnt pads. But the evaporative brainahrinking qualities of August. when the arc furnace Phoenicians call The Valley of the Sun broils to 110 degrees and beyond, seem to hold few fears for the world's intrepid sun

Resorts which formerly snoozed through the solar blitz nowadays huzz with west Europeans and, increasingly, trippers from Japan, India, Indonesia, Singapore, Latin America and Europe'a former

The miracle of air conditioning makes the place liveable. Price competition among the airlines and off-season hotel rates make it affordable.

The filmic vistas of Monument Valley and the Painted Desert, mysterious pre-Columbian architecture, the largest living repository of Native American culture, remnants of the old West, and the reliable if relentless sunshine compound the attractions of the Grand Canvon state.

The combination of foreign visitors and the high-season US regulars including the high-season "snow birds" fleeing the bitter winters of the north, east and mid-west, injected more than \$10bn into the Arizonan economy in 1994 - a 15 per cent increase on the previous year. Occupancy rates in the Phoenix area's 200-plus hotels and resorts climbed to a record 71 per cent, and the average daily cost of a room rose more than 8 per cent.

Tourism is now Arizona's second biggest industry, after manufacturing. It employs more than 275,000 people or one in six of tha workforce. Phoenix's Sky Harbor Interna-

tional Airport, which in 1994 logged 25.6m passenger arrivals and departures, estimates the figure will top 28m next year and exceed 40m in 2007.

At present, more than a quarter of all vistiors come from neighbouring California, a short flight or a long but easy drive on straight, sweeping highways. Some 12 per cent are foreigners, led by Germans with the British, French and Japanese following at a distance. Germany's Lufthansa and British Airways recently stepped up their existing connections to Phoenix.

For many US visitors, who stormed Phoenix in tens of thousands earlier this year for the Super Bowl football ritual, projects to install a major league basehall stadium and team, and - of all things top-line ice hockey, will establish Arizona's place in tha inter-state traffic in devoted sports fans.

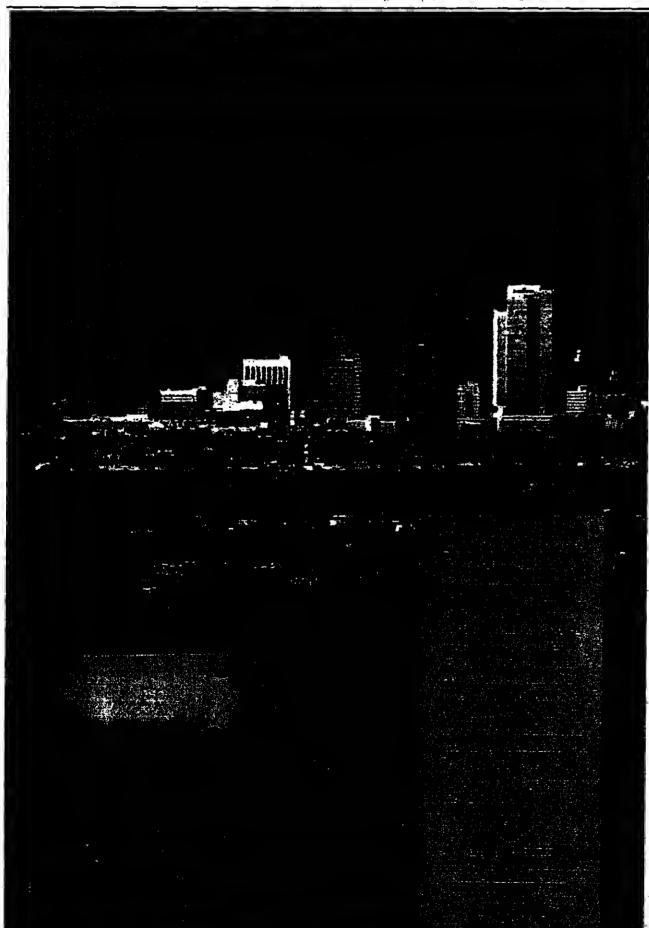
According to Matt Crow, president of the Arizona Biltmore resort hotel in Phoenix, the role of tourism as a prime driver of economic growth is not fully realised. Apart from creating jobs and generating tax revenues in its own right, it draws new permanent residents, both individual and cor-

After briefly sampling the quality of life - an asset which is particularly attractive to visitors from over-crowded, longer-established US cities many elect to stay or bring their business with them.

Mr Crow, Texan-born and a recent refugee from investment hanking in Manhattan, acknowledges boundless opportunities, but he singles out lifestyle and "the common courtesy of the people and their non-selfish attitudes" as the key main attractions.

He claims he is far from exceptional. He quotes the example of Steve Brain, sent by Fox, part of News Corporation, to set up a film animation studio on a greenfield site. The joh was finished earlier this year, but Mr Brain is still in

"He liked it so much here, he refused to leave," says Mr Crow. He is now rounding up backers in a bld to equip the city with its first full-scale sound stage complex, and keep his place in the sun.



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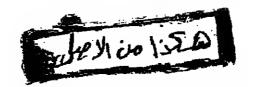


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BOSTON EUROPEAN BOND FUND, SICAV Société d'Investissement à Capital Variable

Registered office: 89, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 42218

Any reference in the present Notice of Meeting to BOSTON INTERNATIONAL FUND I, SICAV is to be understood as a reference to the current BOSTON EUROPEAN BOND FUND, SICAV whose Board of Directors shall submit to the approval of an extraordinary shareholders' meeting of BOSTON EUROPEAN BOND RUND, SICAV, to be held prior to the marger, the transformation of the SICAV into an umbrell structure under the name of BOSTON INTERNATIONAL FUND I, SICAV

NOTICE OF MEETING

Since no quorum as required by lew was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON EUROPEAN BOND FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notery on June 6, 1996 at 3.00 p.m. local time at the registered office with the following agends:

AGENDA

Approval of the merger by absorption of the Company by BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, BICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, BICAV, all Luxembourg societies d'investissement à capital variable with registered office at 98, noute d'Esch, L-1470 Luxembourg.

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal").

(2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-2453 Luxembourg;

subject to the approval of the Merger Proposal by the Shareholders of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV and BOSTON STRATEGIC INCOME FUND, SICAV in their respective Extraordinary Strateholders' Meeting:

(i) to state the accomplishment of the tormalities prescribed by article 267 of the law on commercial companies;

(fi) to approve and ratify the Merger Proposal published in the Mémorial, Recuell Spécial des Sociétés et Associations;

(IR) to accept the issue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new compartments as follows:

BOSTON INTERNATIONAL FUND I • EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT for each cancelled Class B share of FUND, SICAV in the proportion of 1 new Class B s BOSTON EQUITY INVESTMENT FUND, SICAV:

- BOSTON INTERNATIONAL FUND (- INCOME INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND (- INCOME INVESTMENT for each cancalled Class B share of BOSTON INCOME INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT for each cancelled Class B share of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I · U.S. GOVERNMENT INCOME in exchange for the contribution of all assets and liabilities of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME for each cancelled Class B share of BOSTON U.S, GOVERNMENT INCOME FUND, SICAV;

BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT in exchange for the contribution of all assets and liabilities of PACIFIC GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT for each cancelled Class B share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV:

- BOSTON INTERNATIONAL FUND I - ARGENTINE (INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON ARGENTINE INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT for each cancelled Class B share of BOSTON ARGENTINE INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION in exchange for the contribution of all assets and flebilities of SOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV in the proportion of 1 new class B share of BOSTON INTERNATIONAL FUND 1- GLOBAL CAPITAL APPRECIATION for each cancelled Class B share of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV;

-BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME, in exchange for the contribution of all assets and liabilities of BOSTON STRATEGIC INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME FUND, SICAV;

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting.

The Shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the registered office of the Company at least 48 hours before the meeting.

The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost);

 - the three last annual financial reports with management reports of BOSTON EUROPEAN BOND FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, and BOSTON STRATEGIC INCOME FUND, SICAV,

- the reports of the Board of Directors of BOSTON EUROPEAN BOND FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL, APPRECIATION FUND and BOSTON STRATEGIC INCOME FUND, SICAV on the Merger Proposal;

the report of the Independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Directors

BOSTON EQUITY INVESTMENT FUND, SICAV

Société d'Investissement à Capital Variable

Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg 3 25254

NOTICE OF MEETING

Since no quorum as required by faw was present at the extraordinary shareholders' meeting of April 24, 1996, notice to hereby given to the Shareholders of BOSTON EQUITY INVESTMENT FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 9.30 s.m. local time at the registered office with the following agenda:

AGENDA

Approval of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND I, SICAV (formerly BOSTON EUROPEAN BOND FUND, SICAV) together with BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GÖVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, all Luxembourg sociétés d'investissement à cap valiable with registered office at 69, route d'Esch, L-1470 Luxembourg.

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal"),

(2) the audit report prescribed by article 265 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert,

subject to the approval of the Merger Proposal by the Shareholders of BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.B. GÖVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON INTERNATIONAL FUND I, SICAV in their respective Extraordinary Shareholders' Meeting;

(I) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies; (ii) to approve and ratify the Merger Proposal published in the Memorial, Recuell Special des Sociétés et Associations:

(iii) to accept the issue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new compartments as follows:

- BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT, in exchange for the contribution of all assets and liabilities of BOSTON EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT FUND for each cancelled Class B share of BOSTON EQUITY INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT for each cancelled Class B share of BOSTON INCOME INVESTMENT FUND, SICAV,

- BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT in exchange for the contribution of all assets and flabilities of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT FUND, SICAV; - BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME in exchange for the contribution of all assets and tabilities of BOSTON U.S.

GOVERNMENT INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME for each cancelled Class B share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV:

BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT in exchange for the contribution of all assets and Babilities of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND / - PACIFIC GROWTH INVESTMENT FUND, SICAV; each cancelled Class B share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV;

- BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT in exchange for the communition of all assets and Habilities of BOSTON ARGENTINE INVESTMENT for each cancelled INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRIECIATION in exchange for the contribution of all assets and feabilities of BOSTON GLOBAL CAPITAL APPRECIATION INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION CAPITAL APPRECIATION FUND, SICAV:

**Tor each cancelled Class B share of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV:

-BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME in exchange for the contribution of all assets and liabilities of BOSTON STRATEGIC INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME FUND, SICAV;

These will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting.

The Shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proces should arrive at the registered office of the Company at least 48 hours before the meeting. The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost):

WE MANUAL PROPOSES.

The three last simulal financial reports with management reports of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV,

ENSTON STRATEGIC INCOME FURD, SICAY BUILD BUSTON EQUITY INVESTMENT FUND, SICAY, BOSTON INCOME INVESTMENT FUND, SICAY, BOSTON EQUITY INVESTMENT FUND, SICAY, BOSTON INCOME INVESTMENT FUND, SICAY, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAY, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAY, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAY, BOSTON ARGENTINE INVESTMENT FUND, SICAY, BOSTON GLOSAL CAPITAL APPRECIATION FUND, SICAY, BOSTON STRATEGIC FUND, SICAY, BOSTON ARGENTINE INVESTMENT FUND, SICAY on the Marger Proposal;

"the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal,

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By order of the Board of Directors

BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV

Société d'Investissement à Capital Variable Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 42217

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV (the "Company") that the BECOND extraordinary shareholders' meeting will be held before notary on June 8, 1996 at 2.00 p.m. local time at the registered office with the following agenda:

AGENDA

Approval of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND I, SICAV (formedy BOSTON EUROPEAN BOND FUND, SICAV) together with BOSTON ECULTY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL ECULTY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, all Luxembourg sociétés d'investissement à capital variable with red office at 59, route d'Esch, L-1470 Luxembourg.

(1) the recort of the Board of Directors in relation to the marger proposal (the "Merger Proposal"),

(2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-

SUBJECT TO THE ADDITIONAL FOUND INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON INTERNATIONAL FUND I, SICAV IN their respective Extraordinary Shareholders' Meeting;

(1) to state the accomplishment of the formeilties prescribed by article 267 of the law on commercial companies;

(8) to approve and ratify the Merger Proposal published in the Mémorial, Requeil Spécial des Sociétés et Associations;

(8) to accept the issue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new compartments as follows:

- BOSTON INTERNATIONAL FUND I GLOBAL CAPITAL APPRECIATION, in exchange for the contribution of all assets and liabilities of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION for each cancelled Class B share of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV;

- BOSTON INTERNATIONAL FUND 1 - EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT for each cancelled Class B share of BOSTON EQUITY INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INCOME INVESTMENT FUND, SICAV In the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT for each cancelled Class B share of BOSTON INCOME INVESTMENT FUND, SICAV;

- BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INTERNATIONAL INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT for each cencelled Class B share of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME in exchange for the contribution of all assets and liabilities of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME for each cancelled Class B share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV;

BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT in exchange for the contribution of all assets and liabilities of PACIFIC GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT for each cancelled Class B share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON ARGENTINE INVESTMENT RUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT for each can Class B share of BOSTON ARGENTINE INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME in exchange for the contribution of all assets and flabilities of BOSTON STRATEGIC INCOME FUND, SICAV in the proportion of 1 new Class 8 share of BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME FUND, SICAV:

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting. Each share is entitled to one vote.

The Shareholders on record at the date of the meeting are entitled to vote or give proxies.

Preview should entire at the registered office of the Company at least 48 hours before the meeting.

The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost);

the three lest annual financial reports with management reports of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAY, BOSTON INCOME INVESTMENT FUND, SICAY, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAY, BOSTON U.S. GOVERNMENT INCOME FUND, SICAY, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAY, BOSTON ARGENTINE INVESTMENT FUND, SICAV. BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV;

- the reports of the Board of Directors of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV on the Merger Proposal;

the report of the independent surfacer, Coopers & Lybrand, with respect to the Merger Proposel.

By order of the Board of Directors

BOSTON BRAZIL INVESTMENT FUND, SICAV

Société d'Investissement à Capital Variable Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 41963

Any reference in the present Notice of Meeting to BOSTON INTERNATIONAL FUND II, SICAV is to be understood as a reference to the current BOSTON BRAZIL, INVESTMENT FUND. SICAV whose Board of Directors shall submit to the approval of an exhautinary shareholders' meeting of BOSTON BRAZIL INVESTMENT FUND, SICAV, to be held prior to the merger, the change of its name into BOSTON INTERNATIONAL FUND II, SICAV

NOTICE OF MEETING

Since no quarum as required by law was present at the extraordinary shareholders meeting of April 24, 1996, notice is hereby given to the Shareholders of STON BRAZIL INVESTMENT FUND, SICAV (the at 5.00 p.m. local time at the registered office with the following agende:

AGENDA

Approval of the merger by absorption of the Company by BOSTON LIQUIDITY MANAGEMENT FUND, SICAV and BOSTON MULTI-CURRENCY FUND, SICAV, all Luxembourg societés d'investissement à capital variable with registered office at 69, route d'Esch, L-1470 Luxembourg,

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal"). (2) the audit report prescribed by article 255 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-

subject to the approval of the Merger Proposal by the Shareholders of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV and BOSTON MULTI-CURRENCY FUND, SICAV in their respective Extraordinary Shareholders' Meeting;

(1) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies

(R) to approve and ratify the Merger Proposal published in the Mémorial, Recueil Spécial des Sociétés et Associations;

(iii) to accept the issue of shares of BOSTON INTERNATIONAL FUND II, SICAV in the new compartments as lollows:

- BOSTON INTERNATIONAL FUND II - LIQUIDITY MANAGEMENT in exchange for the contribution of all assets and flabilities of BOSTON LIQUIDITY MANADEMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND II - LIQUIDITY MANAGEMENT for each candidates B share of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV; - SOSTON INTERNATIONAL FUND II - MULTI-CURRENCY in exchange for the contribution of all assets and liabilities of BOSTON MULTI-CURRENCY FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND II - MULTI-CURRENCY for each cancelled Class B share of BOSTON MULTI-CURRENCY FUND, SICAV;

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting.

The Shareholders on record at the date of the meeting are entitled to vote or give pro-

Provides should arrive at the recistered office of the Company at least 48 hours before the meeting

The following documents are at the Shareholders' disposal for exemination at the registered office of the SICAV (copies may be obtained without cost):

- the three last annual financial reports with management reports of BOSTON BRAZIL INVESTMENT FUND, SICAV, BOSTON LIQUIDITY MANAGEMENT FUND SICAV AND BOSTON MULTI-CURRENCY FUND, SICAV; the reports of the Board of Directors of BOSTON BRAZIL INVESTMENT FUND, SICAV, BOSTON LIQUIDITY MANAGEMENT FUND SICAV AND BOSTON MULTI-CURRENCY FUND, SICAV on the Merger Proposal,

the report of the independent suditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Directors

BOSTON LIQUIDITY MANAGEMENT FUND, SICAV Société d'Investissement à Capital Variable

Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 25257

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1995, notice is hereby given to the Shareholders of BOSTON LICUIDITY MANAGEMENT FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be hald before notary on June B, 1995 at 4.00 p.m. local time at the registered office with the following agenda:

AGENDA

Approvel of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND II, SICAV (formerly BOSTON BRAZIL INVESTMENT FUND, SICAV) together with BOSTON MULTI-CURRENCY FUND, SICAV, all Luxembourg sociétés d'investissement à capital variable with registered office at 89, route d'Esch, L-1470 Luxembourg. end upon hearing.

(2) the audit report prescribed by article 256 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 15, rue Eugène Ruppert, L-

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal"),

subject to the approved of the Merger Proposal by the Shareholders of BOSTON MULTI-CURRENCY FUND, SICAV and BOSTON INTERNATIONAL FUND II. SICAV in their respective Extraordinary Shareholders' Meeting;

(1) to state the accomplishment of the lormalities prescribed by article 267 of the law on commercial companies: (ii) to approve and raiffy the Merger Proposal published in the Mermorial, Recuell Special des Sociétés et Associal

(iii) to accept the Issus of shares of BOSTON INTERNATIONAL FUND II, SICAV in the new compartments as follows:

- BOSTON INTERNATIONAL FUND II - LIQUIDITY MANAGEMENT, in exchange for the contribution of all assets and Rabilities of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND II - LIQUIDITY MANAGEMENT for each Class B share of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND II - MULTI-CURRENCY in exchange for the contribution of all assets and liabilities of BOSTON MULTI-CURRENCY FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND II - MULTI-CURRENCY for each cancelled Class B share of BOSTON MULTI-CURRENCY FUND, SICAV;

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting,

Each share is entitled to one vote. The Streneholders on record at the date of the meeting are entitled to vote or give probles.

Proxies should arrive at the registered office of the Company at least 48 hours before the meeting.

The leflowing documents are at the Shereholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost): the Marger Proposal;

the three last arrival financial reports with menagement reports of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV, BOSTON MULTI-CURRENCY FUND the reports of the Board of Directors of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV, BOSTON MULTI-CURRENCY FUND SICAV AND BOSTON

BRAZIL INVESTMENT FUND, GICAV on the Merger Proposal the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal,

By order of the Board of Directors

High-yield markets show strongest performance

and Lisa Bransten in New York

High-yielding European markets showed the strongest performances yesterday, when German bunds reversed early gains on nervousness over M3

money supply data.

Italian bonds again outperformed bunds. Liffe's June BTP future closed at 115.88, up 0.54. In the cash market, the 10-year yield spread tightened by 12 basis points to 313 points.

The raily was fuelled by the rapid formation of the new government and the inclusion of high profile politicians reinforcing its credibility. Mr Bruno Rovelli, an econo-

mist at Bank of America in

Milan, expects further outperformance of BTPs. "The 300 basis point level is in sight", he said. "but [market participants] will look for more spread lower." He believes the

tight budget for 1997" could provide support for BTPs and boost the Italian lina to below the L1,000 level against the D-Mark, which would be seen as an encouraging factor for the central bank to start cutting interest rates.

Spanish bonds gained ground but closed off their highs. Meff's future on 10-year bonos ended the session at 98.91, up 0.10. The contract suffered from profit-taking after reaching a high of 99.38.

Mr Mark Fox, head of fixed income research at Lehman Brothers, believes the "convergence trades" on Italian and Spanish bonds have been overdone. He expects the yield spreads of these markets to widen by up to 50 basis points "once traders have realised that [neither country] has any chance of joining Emu in Mr Fox said the correction

should not be very pro-

nounced, "because permanent progress has been made on economic fundamentals", referring to the reining in of public deficits and a promising inflation outlook.

■ German bunds ended the day barely changed, reversing early gains. Liffe's June bund future settled at 96.91, down

GOVERNMENT BONDS

0.02, after reaching a high of 97.17. Market participants were nervous in anticipation of the release of M3 monetary data for April, and the effects of the

■ French honds closely tracked bunds. Matif's June notional future settled et 123.40, up 0.08. The 10-year yield apread tightened by 1 basis point to 4 points, with the benchmark OAT closing unchanged at 105.67.

Mr Fox at Lehman believes the OAT spread over bunds will remain stable around these levels in the next few months, reflecting market participants' opinion that "the political will to proceed with

Emu is there". Analysts at Bear Stearns also expect the OAT spread over bunds to remain stable and trade in a tight range of zero to 10 basis points in the near future.

■ UK gilts ended a quiet session in line with other markets. Liffe's June long gilt future settled at 1068, up 1. In the cash market, the 10-year yield spread over bunds stood at 169 basis points, near its recent lows.

Mr Kevin Adams, e gilt strategist at BZW, is surprised by gilts' resilience, "given the potential bad news from the

political front". He attributes gilts' relative strength to sterling's robustness on the foreign exchange market and believes UK yields have benefited from convergence trades in other peripheral European

bond markets. However, Mr Adams points to forthcoming funding needs and the possibility of stronger than expected economic growth. He believes the market "is stretched to its limits" and warns of the risk of a correction, with 10-year yield spreads over Germany widening by between 10 and 20 basis points in coming weeks.

US Treasury prices were higher in quiet early trading as investors waited for today's Federal Reserve's Open Market Committee meeting

Near midday, the benchmark 30-year Treasury was up 🖁 at 89 to yield 6.804 per cent and the two-year note up 1 et 99 ty yielding 5.976 per cent. The

NEW INTERNATIONAL BOND ISSUES

future rose through 110 in morning trading but was unable to hold that level and settled back to 109#, up &. There was little speculation

about the outcome of today's FOMC meeting because Wall Street economists are nearly unanimous in the belief that the Fed will leave interest rates unchanged. However, they are divided about whether the Fed might loosen or tighten monetary policy later this year, so investors will be watching for indications of e bias toward easing or tightening in any statement issued at

the conclusion of the meeting. Weaker commodity prices and e stronger dollar lent some support to the bond market. The Knight Ridder-Commodity Research Bureau commodity index slipped 1.67 to 257.91 in early trading. The dollar was changing bands et DM1.5341 and Y107.07 against DM1.5335 and Y106.86 late on Friday.

Russia moves to strengthen rights of shareholders

By Richard Lapper

The Russian authorities are taking moves to enhance shareholder rights as they seek to strengthen the confidence of investors, a London conference was told yesterday.

Despite political uncertainty ahead of next month'a presidential elections, the mood at the meeting on Russian finan-cial markets organised by the London-based Royal Institute for International Affairs and Moscow's Centre for Foreign Investment and Privatisation, in association with the Financial Times and Financial

Izvestia, was sanguine. Foreign investors have welcomed in particular improve-ments to the country's settlement end registration infrastructure, as well the introduction in January and April this year of new com-pany and securities laws.

Mr Dmitry Vasiliev, chairman of the Federal Commission on Securities and the Canital Market (FSC), said that as part of broader plans to strengthen shareholder rights, the laws would be introduced into Russia's civil and criminal code, providing for fines and even imprisonment for capital markets offences.

"This will punish the fraudsters," he said. "We lack the mechanisms to defend the rights of investors. The concept of the courts defending the rights of investors has not yet been implemented."

"Unfortunately the individual is not always guaranteed that the legal system will pro-tect his rights," added Mr Mikhail Zadornov, chairman of the state budget committee. Ms Marcia Levy, head of the Russia and NIS Group at Norton Rose, the city lew firm,

said foreign investors had

"very little confidence" in the

ability of the legal system to

7,45 8.16

May 20 May 17 Yr. ago 2.78 .2.81 3.80 3.80

7.89 7.47 8.06 8.17 8.06 8.23 8.14

give "independent and evenhanded decisions"

"Efforts need to be made to to ensure that judges and court officials are well trained and independent," she added.

The securities law prohibits companies that issue securities from quoting or trading their own shares, and clarifies and strengthens the role of the FSC. The FSC will license market participants and draw up rules for public offerings of securities, as well as specify what information must be disclosed to investors.

"A serious attempt is being made to put the legal and regu-latory framework in place."

said Ms Levy. Under share registration rules introduced last year, uniform standards for registrars. including a system of licensing and minimum capital requirements were set, as well as provisions for separating brokings and registrar functions.

Mr Dmitry Shatiloff, president of the National Registra-

tion Company, said 48 independent registrars have already been licensed.

"Share registry disciplines did not exist when privatisation began. Registers were simcases," he added.

"A year ago, we would have been talking about problems of registration. Investors are no longer worried ebout that, said Mr Bruce Bean of Coudert Brothers in Moscow.

Another priority is the development of collective invest-ment or mutual funds to build up domestic capital flows. The confidence of small savers has been badly damaged by a series of financial scandals.

More than 20 regulations governing the new mutual funds have been issued since November. The FSC is also in the process of eliminating all unlicensed funds.

May 20 May 17 Yr, ago May 20 May 17 Yr, ago May 20 May 17 Yr, ago

7.48 7.96 7.57 8.17 8.11 8.26

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May 20 May 17 Yr. ago

1,31 2,51 3,58 3,78

Abbey National zero-coupon lira deal meets strong demand

By Antonia Sharpe

Abbey National, the UK bank, yesterday boosted Italy's germinal zero-coupon bond market with the launch of its first such issue.

Demand for the L300bn fiveyear offering, which yields 9 per cent, was such that Abbey National could well increase the size of the deal by up to L100bn, Mr Alex Braun, head of funding et Abbey National, said yesterday that the positive reception to the offering reflected the strong following which the bank had built up

among Italian investors. Abbey National, which has a significant mortgage operation in Italy, has become the thirdlargest borrower in the eurolira market after the World Bank and the EIB.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

7.51 7.72 7.77 7.51 7.51 7.50 7.90 7.93 974, 1104, 1015, 1124, 1158, 1088, 938, 1087, 251, 1034,

Its familiarity with domestic retail and institutional investors allowed it to achieve fine pricing of the equivalent of a spread of 5 basis points over the yield on five-year Italian eds of the offering, which will be used for general lira

INTERNATIONAL BONDS

funding, are believed to have points below euro-lira Libor.

been swapped into floating-rate lire at some 10 to 12 basis Lead manager Credito Italiano said the strong demand for the bonds reflected growing appetite for zero-coupon bonds in Italy as well as the favourable conditions in the Italian

government bond market.

Retail investors are attracted to zero-coupon bonds because tax on them is deferred until the end of their life, while institutional investors regard them as a more exact way than five-year eingle-premium policies.

The bonds were launched at 62.53 less full fees but by the afternoon were treding at 62.70. The interest in Abbey National's bonds has raised the poesibility that the World Bank's recent L500hn 10-year zero-coupon bond will be re-

Elsewhere, caution ahead of today's Federal Reserve's FOMC meeting kept dollar-denominated issuance to a minimum. However, syndicate managers said there was good investor demand for five-year

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

CALLS .

Borrower US DOLLARS	Amount m.	Coupen %	Price	Meturity	Fees %	Spread bp	Book-numer
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LUXEMBOURG FRANCS Kredistbank Luxembourg	2bn	149	102.60	Jul 2002	1.875		Kredlethank Luxembourg
TALIAN LIRE Abbay Nati Treasury Services	300bn	2070	B4.41	Dec 2001	1.875		Credito Italiano
CANADIAN DOLLARS State Benk of New Sth Weles(a)	100	7.00	99.875R	Dec 2000	0.25R	+5(71/2%-00)	Toronto-Dominion Bank

dollar paper and indicated that several sovereign issuers were looking at this area.

Inter-American Development Bank raised \$200m through an offering of three-year eurobonds, its first issue to be directly aimed at Swiss investors. Swiss investors have been strong buyers of dollar bonds due December 1999 in recent

weeks while issuers have banks, including UBS, Deutfavoured this maturity because of the swap opportunities.

Although the bonds were tightly priced, to yield flat to US Treasuries due May 1999 but about 8 basis points below the interpolated curve, the pricing was in line with other comparable bonds issued recently by various European

1 Up to 5 years (22)

FT-ACTUARIES FIXED INTEREST INDICES

121,53

retail investors tended to give more importance to the bond's coupon - in this case 6.25 per cent - rather than to the spread. By the late afternoon the spread on the bonds was

121,48

80.0

0.11 0.04 0.57

0.05

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Lead manager SBC Warburg

3.78 5 yrs 4.09 15 yrs 3.48 20 yrs 8.12 kred.†

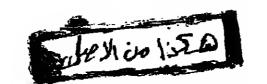
said that in any case Swiss

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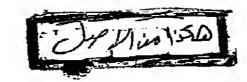
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CURRENCIES AND MONEY

Dollar fails to hold gains ahead of FOMC meeting

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The dollar yesterday flattered to deceive as it failed to hold onto early gains ahead of the meeting today of the policy-making Federal Open Market

The break above Y107 during Asian trading was sustained in Europe, but the dollar finished the day weaker than it had started. It closed in London at Y107.115 from Y106.645 on Friday. Against the D-Mark it finished at DM1.5347 from DMI.5262

Apart from the FOMC, where there is little expectation of change, markets are also on the lookout for the release of the latest German M3 data. which should provide guidance on the likely passage of interest rates. There is some apprebension that signs of an economic upturn in Germany would reverse the recent trend of D-Mark weakness.

The other main focus of trading concerned the Italian lira

which rose to a 19 month high against the D-Mark on renewed speculation of an early entry into the European exchange rate mechanism. It finished at L1,011 against the D-Mark after reaching an intra-day high of

L1,008.40. The Swiss franc also slipped lower against the D-Mark, fin-ishing at 82.2 centimes, from 82 centimes

centimes.
The Belgian central bank cut tts advances rate to 3.2 per cent, from 3.3 per cent. Sterling fell to DM2.3207 against the D.Mark, from DM2.3132. Against the dollar it finished at \$1.5122, from

■ The catalyst for the dollar's rally against the yen was a

enat b	тап щ	the Japanes
F Poes	d in New Y	ork
Hay 20		- Prev. close
2 apot	1.5135	1,5135
1 mtr	1,5126	1,5126
3 سنت 3	1.5112	1,5112
1 w	1.5063	1.5063

trade surplus (in recent years the large surplus has been a big factor behind yen strength) Japanese officials suggesting monetary policy was on hold. The trade surplus fell, year on

year, by 65 per cent to Y320bn. One trader said there had been evidence of US hedge funds "repositioning for more dollar strength on the view that this is going to be the Japanese rate hike that never happened." Hedge funds with large long dollar positions had been heavy sellers when the dollar slipped to Y104, but they now appear to be rebuilding some of these positions.

Mr Carl Weinberg, chief economist at High Frequency Economics in New York, has recently run the rule over the dollar. He concludes that official intervention by the Bank of Japan, with the intention of devaluing the yen, will by itself ensure a Weaker yen "over the next few months".



Canadian dollar, however, he believes the dollar will sag.
"While we appland the trend
reversal in the US trade balance, it still has a way to go before it supports the dollar." long term flows roughly offset each other. He believes US treasuries offer unattractive

which is dollar-negative. Short-term interest rate differentials, by comparison, support the dollar. "Exclude sterling and the lira and the Australian dollar and the US dollar has become the high-yielding cursays Mr Weinberg.

The rally in the lira is partly due to it being one of the few countries that has not experienced interest rate convergence. "It, together with Anstralia, is one of the few high-yielders left," said Mr Robin Marshall, chief economist at Chase in London. Italy has not cut its short term rates for a year, while the official cash rate in Australia has remained unchanged at 7% per cent since December 1994. The Australian dollar has

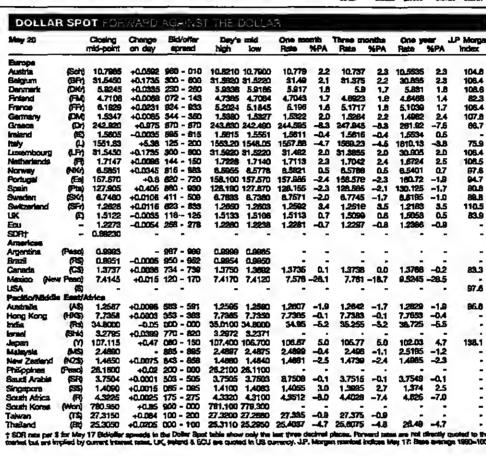
In terms of capital flows, Mr rallied powerfully since Janu Weinberg believes short and ary, moving from about 78 US cents to 79.45 yesterday. This was a retreat of over a cent from Friday's 5% year high of Against the D-Mark and returns in the months ahead, 80.5 cents. Analysts said this

retreat was prompted by the fall in world copper prices to a 21 month low. Australia is a hig commodity producer and the currency's value is closely related to trends in commodity

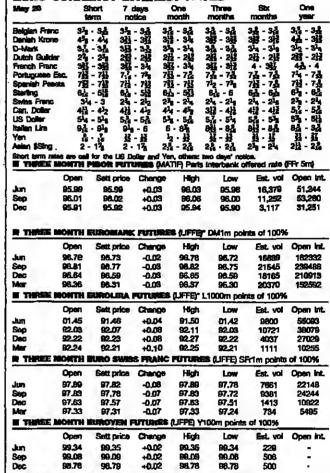
The rally this year, though, has also been in large part driven by the large interest rate differential between Australian rates and those available on dollar and yen depos-

formance, Mr Marshall said: "This is a honeymoon for Mr Prodi, but there is also a presumption that the government is more serious about the budget consolidation and the whole process of European

May 20		
Canch Re	41,7378 - 41,7722	27.8080 - 27.8186
thoughty	224,295 - 225,675	148,750 - 148,816
ine.	4545.00 - 4545.90	300000 - 300000
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Polesti	4,0327 - 4,0406	
Accepte	7580.51 - 7587,04	
WE	5.5925 · 5.5956	3.6728 - 3.5731



WORLD IN	TERE	ST D	TES					
		31 h						
MONEY RA								
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week ago	37	314	34	34	34	7.00	2.50	
France	31	32	376	3	44	3.70	-	5.60
week ago	34	32	37	2	41	3,70		5.80
Genniny	34	34	314	34	3%	4.50	2.50	3.80
week ago	3%	34	314	3 <u>Z</u>	31	4.50	2.50	3.80
ireland	5	51	5	54	514	-	-	8.25
week ago	e	51	5%	514	5%	-		6.25
Italy .	94	8%	8%	8%	84	-	9.00	8.25
week ago	102	8%	81	84	84	-	9.00	6.26
Notherlands	21	2%	274	2 <u>n</u>	200	-	3.00	3.80
week ago	20	2%	. 26	25	26		3.00	3.30
Switzerland	2%	214	2%	24	24	5,00	1.50	-
week ago	21	214	176	12	24	5.00	1.60	-
US	5	532	54	514	87	-	5.00	-
week ago	57	51	51/2	51/4	51	-	5.00	-
Japan	4	4	3	a		-	0.50	-
week ago	- 4	. 1/2	2	4	136		0.50	
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week ago	-	54	51/2	51	5%	-	-	-
US Dollar CDe	_	5.10	5.11	5.25	5.57	_	_	_
week ago	-	6.10	5.12	6.26	5.61	-	_	-
ECU Linked Da	_	4%	44	44	411	_	_	_
week ago	_	436	44	41	41	_	-	_
SDR Linked De	_	34	34	31	3%	-	-	_
week ago	_	31	34	332	311	-	-	-
S LIBOR Interbenk for at 17am each world Westmirster.	ng day. 11	re offered :	es: Benk	ers Trust	, Bank of	Tokyo, Bu	rciayo a	nd Netk
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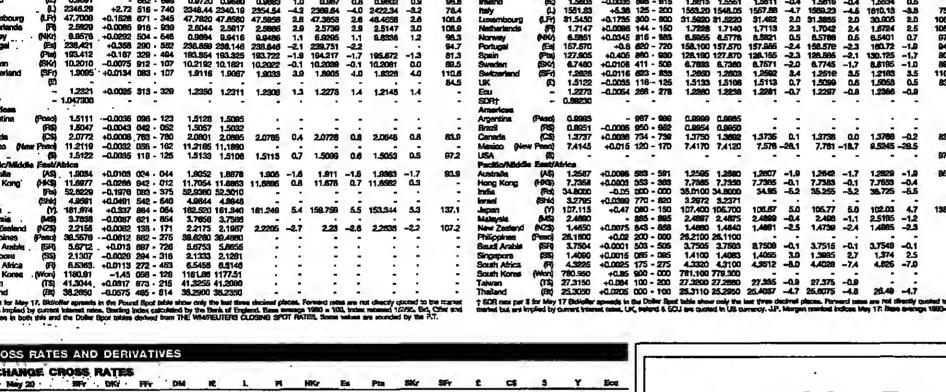
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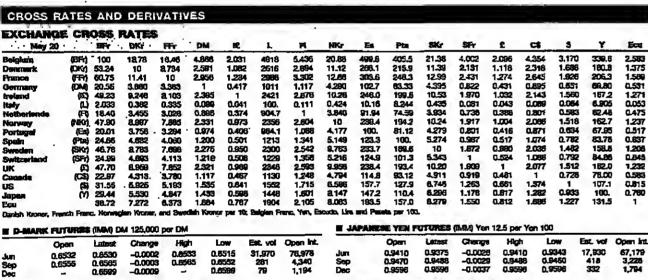
Open Sett price Change

Est. vol. Open Int.

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E STEPLING PUTURES (IMM) 982,500 per E

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leigium	38.396		3120	+0.0326		.21	1.53	2
Sermeny	1.9100		247	+0.0017		.13	1.19	-1
Lustria	13.438 195.78		1585 .501	+0.0115		.14	1.18	-1 -2
Portugal relacid	0.79221	_		-0.001215		.73	0.59	- 5
TRINCO	6,4080		7305	-0.00174		05	0.27	-0
Decements.	7.2658	0 7.3	3168	+0.00819		.32	0.00	-4
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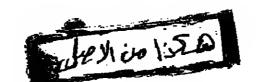
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FINANCIAL TIMES TUESDAY MAY 21 1996 **LONDON SHARE SERVICE** INV TRUSTS SPLIT CAPITAL. PROPERTY - C SUPPORT SERVICES - Cont. 是由公司的1967年代中央的时代的任务中央的时代的时代的时代的时代,1968年代的1967年代,1968年1967年代的1968 をおいて、またので、またので、またのでは、またのでは、またので、またが、またいで、これでは、またのではでは、またのではでは、またのでは、またのでは、またのではでは、またのではでは、またのではでは、またのでは、またのでは、またのではではではでは、またのではでは、またのではではでは、また · 安徽副党与1000年的广东城广泛南部国际政府和纽尼亚河中海北京公司工业级由日中最大的 मिक्षान्यमामिक्षामित्राचाचामित्रम्यामित्रम्यामित्रम्यामामित्रम्यामामिक्ष्यामामिक्ष्यामामिक्ष्यामामिक्ष्याचाचाच 142 S 4.8 1.5 1.5 1.6 1.6 1.7 1.7 Templeta

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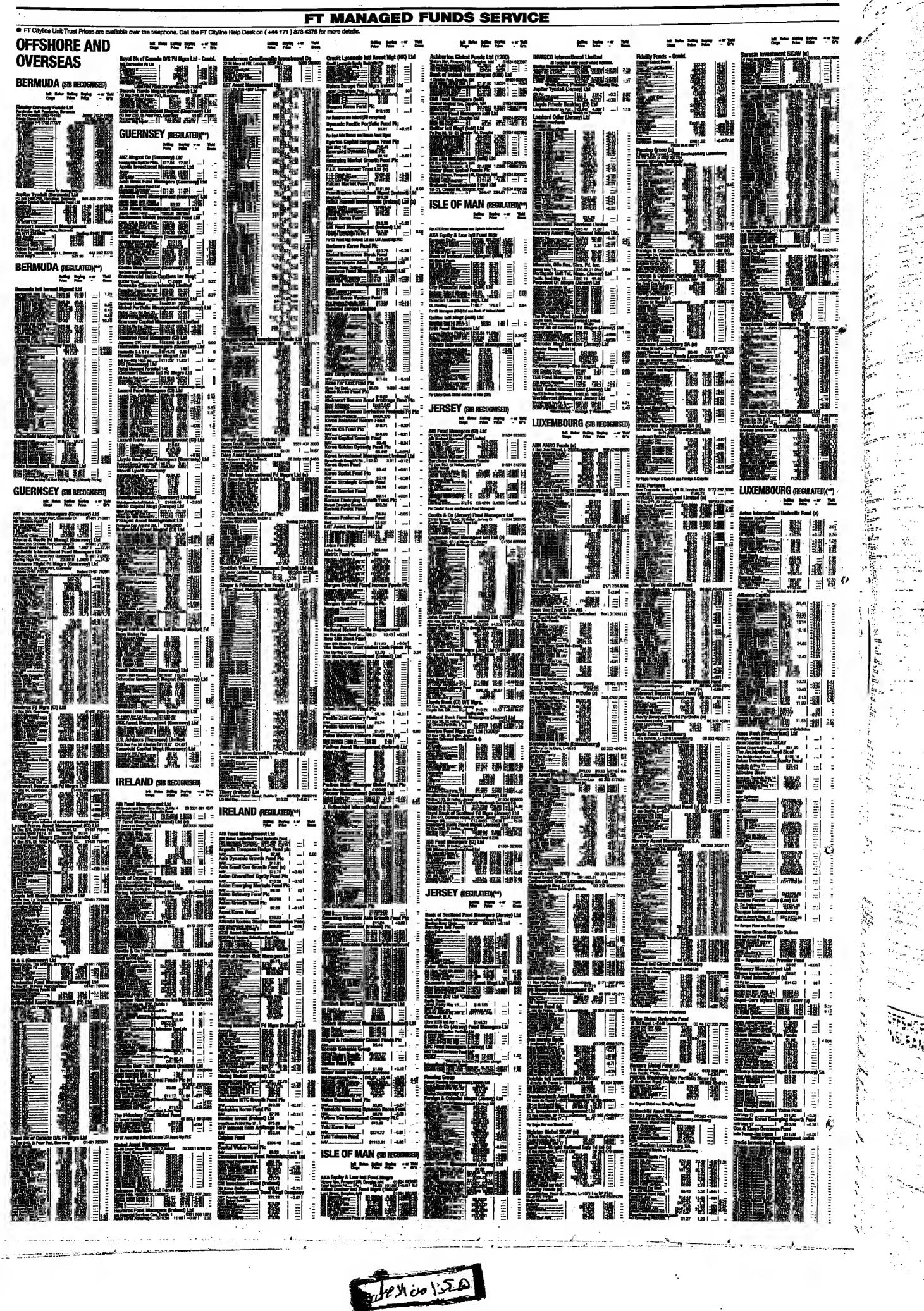
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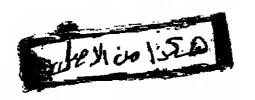
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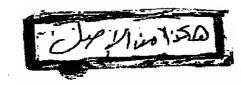
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FINANCIAL TIMES TUESDAY MAY 21 1996

MAY 2(1)9%

Shares disappoint in spite of new issue activity

By Steve Thompson, **UK Stock Market Editor**

The sparkling debut by Railtrack, which accelerated to produce a 16 per cent premium to the public offer price, could not obscure an otherwise dismal start to the week by London's equity market.

London simply could not respond to last Friday's excellent performance by Wall Street, which closed only two Dow points off its previous

record high.

Dealers put forward a number of reasons for the market's lacklustre performance, including an exceptionally weak showing by oil stocks after news of the rasumption of

Iraqi oil sales, the absence of any of the much rumoured takeover bids, and a revival of last week's rumours that a blg rights issue could be on the cards.

Other bearish stories said to have affected sentiment were that the market is becoming increasingly unassy over the prospect of a Labour government after the next general election.

At the close of a session predictably dominated by trading in Rail-track, the FT-SE 100 index had declined 11.4 points to 3,778.2.

The FT-SE Mid 250 index, on the other hand, was never really trouhled by the progressive malaise that affected the market's leaders, and

British Biotech was tha main driving force behind the splendid showing of the second liners' index. Its shares spiralled upwards ahead of a progress report, expected today.

Such is the anthusiasm of some drugs analysts that they foresee British Biotech entering the FT-SE 100 index if the drug is commercially viable.

on its crucial anti-cancer drug,

Dealers said the hlg institutions had decided to stand back and wait for naws from the US Federal Reserve Open Market Committee meeting which gets under way today. "No-one really expects any shift in US interest rates, but there almost 10 points, basking in the is always the chance of a shock reflected glory of Railtrack, but decision," said one trader.

All eyes were focused on Ralltrack at the putset of trading. The stock began its equity market lifa at 225p, the very top of the fore-cast range, and edged up in hectic trading to reach 229p, before encountering heavy selling by mar-ket "stags" and sliding back to end the day at 218.5p.

Marketmakers said they expected small investors to continue to take profits in the stock in the short term, but at the same time expected the big institutions to continue to

add to their holdings. At the opening, the Footsie rose

quickly began to lose momentum. Down six points ahead of Wall Street's opening, the Footsle initially stabilised but then fell away again, posting a 13.8 fall at the day's worst, before edging off the bottom. The Dow Jones Industrial Average became increasingly volatile, moving above 5.700 shortly after the

5.700 level well after London closed. Turnover in equities, completely overshadowed by trading in Rail track, reached 758m shares by 6pm. Railtrack accounted for 161m shares, or 21 per cent of the total.

opening, then slipping back into

negative ground and regaining the





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FUTURES AND OPTIONS

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FT-SE 100 INDEX FUTURES (LIFFE) \$25 per full index point

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

FT-SE 100 INDEX OPTION (LIFFE) ("3777) \$10 per full index point

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Railtrack surges on

debut, surging to a 16 per cent premium in partly pald form and racking up some of the heaviest first day turnover

UBS said the business was nearly all on the upside, with 161m shares changing hands, almost a third of the compa-

There was said to be strong demand from the income funds for the 6 per cent yield, and speculative support ahead of Railtrack's possible inclusion

in the FT-SE 100 index. Fully paid, the stock has a market value of more than £2bn. As a result it moved rapidly through the list of Footsie contenders yesterday. Demand from the index tracking funds

The stock closed at 220%p partly paid, a full 30%p ahead of the flotation price for retail investors. The day's trading range was 219p to 229p.

BoS stake debate

the profit-taking and rights issue rumours overhanging the sector as the market took a view on the final home for the 32.2 per cent stake being sold by Standard Life.

week, eased by just a penny to

270p ahead of a discussion of the situation at a key board

Analysts believe BoS executives are no longer confident that Standard Life will dispose of the shares to investment institutions. It is thought that pressure to get the best possible value for policyholders will force Standard to sell to one buyer - either a friendly rival

or a hostile bidder. And although Mr Mlchael Forsyth, the Scottish secretary, has issued a veiled warning to potential predators of the bank, there are some sugges tions that a tie-up with Royal Bank of Scotland could be acceptable in spite of implicit monopoly considerations.

Royal Bank fell 101/2 to 536p xd amid talk that BZW has cut its 1996 profits forecast for the bank by £11m to £709m and its 1997 expectation from £760m to £743m. BZW's reductions were said to have come in the wake of the trlp hy analysts to RBoS's 76 per cent-owned Citizens Bank in New England.

BT optimism

Telecoms stocks moved ahead against the market on

Some houses have begun to to 6 per cent.

week low last week. BT hounced 51/2 to 3451/2p. Cable and Wireless added 11/2 at 462p. BSkyB, which is discussing plans for a digital television

joint venture with BT, climbed 9 to 449p. Some internationally traded stocks performed against the trend in response to the recent strong rally on Wall Street.

BAT Industries rallied 7 to 509p with additional impetus from a sharp rise in the share price of tohacco rival Philip Morris late on Friday. Hanson gained 4 at 194½p.

However, leading oil issues

dipped on news that Iraq has agreed to UN terms and will shortly he exporting oil in return for humanitarian aid. BP lost 5 to 5691/sp and Shell Transport 3 to 926%p,

In the stores sector, Allders fell 121/2 to 2131/2p, with the market disappointed over the price it obtained for the sale its tax and duty free business and tha fact that the proceeds will be reinvested in the Positive press comment over

new distribution deals was said to be responsible for Menzies rising 6 to 593p, while adverse comment over the potential solutions to the problems at Do It All pushed W.H. Smith down

Retailers continued to benefit from Next's agm statement last week, which offered some reassurance to the market over clothes sales. Marks and Spencer, which reports its finals today, was up 4 to 4321/ap on

Expectations of good news over its cancer treatment today saw British Biotech hreak through the £30 harrier. Although some marketmakers believe the shares could as easily fall to £15 aplece as rise to £50, they closed up 185 yesterday at 3030p.

East Midland Electricity, one

	May 20	May 17	May 18	May 15	May 14	Yr ago	"High	LOW
ordinary Share	2811.0	2918.6	2792.6	2812.6	2801.7	2490.5	2865.2	2896.7
rd. div. yield	3.94	3.93	3.96	3.95	3.96	4.26	4.06	3.78
E ratio net	18.60	18.62	18.49	16.56	16.48	16.01	17.25	15.98
/E ratio nit	16.37	18.39	16.26	16.33	16.25	16,70	17.03	15.76
rdinary Share inde	ex since co	moletion:	high 2665.	2 19/04/9	S: Jone 49.4	26/08/40.	Base Des	x 1/7/36

9.00 10.00 11.00 12.00 13.00 14.00 15.00 16.00 High Low 2817.3 2816.1 2817.7 2814.5 n/a n/a n/a n/a n/a 2818.7 2811.0 May 20 May 17 May 16 May 15 May 14 Yr ago 34,587 2363.7 41,182 770.5 SEAO bergains Equity turnover (Cm)† Squity bergains† Shares tracked (mi)† 33,480 1860.1 31,871 1903.4 32,985 1725,3 21,791 1029.9 33,837 38,418 40,032 718.8 37,890 703.9

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Rives and falls"		52 Week highs	nd lows	LIFFE Equity optic	206
Total Files	781	Total Highs	194	Total contracts	50,66
Totel Falls	502	Total Lows	22		27,84
Serre	1,467			Puts	22.81

of the remaining independent regional electricity companies. put on 12 at 607p. However, the volume was slight and the coosensus was that the shares rose in response to a squeeze rather than on genuine take-

over fever. Food processing engineer APV plummeted following a warning of sharply lower firsthalf profits. The shares fell 17 per cent or 151/ap to 74p in 1.5m

Airports group BAA came off 10 to 524p as worries about a possible stratagic change of direction took hold Brokers said there was con-

cern about the acquisition of the Allders duty free shops, which takes BAA into direct retailing and grafts a more cyclical element on to its business base,

Up 29 per cent, British Airways' results were in line with the City consensus, but investors were disappointed by the absence of news on US airline alliances. BA eased 3 to 555p. in contrast, P&O firmed 5 to

530p after hig fund manager Mercury Asset Management disclosed the build-up of a 5 per cent stake in the group. Themed bar, restaurant and disco group Luminar made a spectacular debut on its first

day of trading yesterday. About 34 per cent of the group's shares were placed with a range of institutions last week at 200p. Strong demand yesterday saw them rise sharply and dealers said that at the day's best the stock was trading at 270p.

Howaver, profit-taking at the high levels brought a retreat in the afternoon and the shares ended their first full session at 2550 after turnover of 3.4m. Tour operator Airtours was boosted by talk of improving

prospects for package holidays. The shares gained 8 to 518p. Nervous trading in Land Securities ahead of Wednesday's full-year figures left the shares trailing by 8 at 651p.

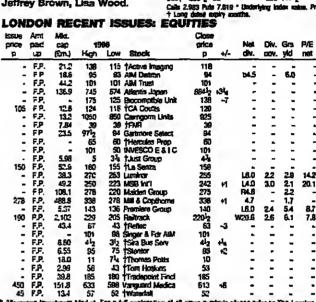
In the brewing, pubs and restaurants sector, Bass slipped 5 to 767p after press reports sug-gesting that its acquisition of Carlsberg-Tetley was more difficult to arrange than originally envisaged. Press reports concerning its franchisees were also responsible for Piz-

zaExpress jumping 13 to 365p. Results from Tom Cobleigh were in line with forecasts, but it was marked down 2 to 215p cause of some disquiet over the pub roll-out programme. Footwear group Chamberlain Phipps tumbled a further 12 to 30p following Friday's

MARKET REPORTERS:

Peter John, Joel Kibazo,

Jeffrey Brown, Lisa Wood.



FT GOLD MINES INDEX May % chg May Year 17 on they 18 ago 2357.40 -0.1 2389.53 1845.02 Gold Wipps Index (31) 2520,73 1722,93 3197.52 +1.0 3164.33 2469.51 44.32 3553.86 2272.74

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	Bectricity(12) Gas Distribution(2)	2748.79	-1.0 2778.3				5.65	2.37		137.11	
	UTALITIES(33)	2387.58	-0.3 2380.1				5.41	2.03	11.35		1012
49		2450.38	-0. <u>6 2464.6</u>				3.60	1 38	25.20	28.66	1018
48	Support Services(49)	2402.21	+0.4 2393.3				1.81	2.46	26.67		1528.
47	Breweries, Puba & Rest (24)	3112.07	-0.5 3126.2				3.23	2.09		31.74	1491.
	Retailers, General(43)	2051.38	+0.2 2046.4				2 95	2.19	18.34	22.12	1169
	Retailers, Food(15)	1990.68	-0.8 2002.				3.81	2.33		36.81	
	Medic(45)	4269.26	+0.2 4260.				2.09	1.95	30.78		1546
	Leisure & Hotels(23)	3190.81	-0.1 31B4.				2.76	1.96		141 77	
	Distributors(32)	2935.40	+0.4 2922.1				2.87	1.77		36.69	1082
	SERVICES(253)	2525.60				2007.68	2.80	2.03			1314
	Tobacco(1)	4311.68	+1.5 4248				5.89	2 00		158.18	
37		5078.53	5078.				3.35	1.88		81.18	
	Health Care(20)	2100.99	+0.5 2091.				2.54	1.87		27 65	
	Household Goods(15)	2876 29	2676.				3.71	2.41		57.54 53.70	1025
	Alcoholic Beverages(9) Food Producers(23)	2862.60 2458.48	-0.5 2876. -0.3 2464.				4.37 4.22	1.62		71.72	
	CONSUMER GOODS(80)	3558.52	3\$55				3.95	1.85		78.45	
_			-0.5 1402.		_		5.06	1,54		32.62	855.
	Paper, Pckg & Printing(28) Textiles & Apperei(19)	2780.32 1395.32	-0.4 2790.				3.66	2.03		41.62	1157
	Engineering, Vehicles(13)	3049 72	-0.2 3055.				3.48	1.89		48.11	1581
	Engineering(71)	2463.20	-0.2 2467.				3.11	2.49		28.93	
	Bectronic & Bect Equip(37)	2451.15	-0.5 2438.				2.99	1.67		14.18	
24	Diversified Industrials(19)	1739.18				5 1873.65	5.93	1.72		44.82	975.
	Chemicals(25)	2556 09	2556.				3.87	1.94		48.01	
	Building Matia & Mercha(29)	1958.41	-0.2 1962				3.87	1.75		36.36	
	Building & Construction(34)	1223.65	1224.				3.37	1.79		19.09	1025
_	GEN UNDUSTRIALS(275)	2125.97	-0.1 2127.				3.99	1.81		35.20	
_10	Oil Exploration & Pred(15)	2465.93	-1.7 2508.	03 2507.1	5 2530.3	2 2068,38	2.12	1,60	35.73	32.05	1483

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4	FT-SE Act	uaries	350 k	idustry	bask	ets						

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Additional information on the FT-SE Actuaries Share Indices is published in Saturday Issues.

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Railtrack made a cracking ever seen in London.

ny's capital.

was described as heavy.

Bank of Scotland avoided

The shares, which climbed more than 13 per cent after the life assurance group announced the disposal last

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the hack of a more positive turn for regulatory sentiment. Price cap recommendations from Oftel, the industry watchdog, are due shortly and a number of brokers are now hinting that the sector's worst fears have been overplayed.

suggest that far from talking ultra tough, Oftel could in fact significantly narrow the industry's price cap, Some estimates now run as low as RPI minus 2

Having touched a new 52-

FT-SE AM

BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV

Registered office: 69, route d'Esch, L-1470 Luxambourg R.C. Luxembourg B 25256

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 10.30 a.m. local time at the registered office with the following agenda:

Approval of the merger by absorption of the Company by BOSTÓN INTERNATIONAL FUND I, SICAV (formerly BOSTÓN EUROPEAN BÔND FUND, SICAV) together with BOSTÓN EQUITY INVESTMENT FUND, SICAV, BOSTÓN INCOME INVESTMENT FUND, SICAV, BOSTÓN U.S. GOVERNMENT INCOME FUND, SICAV, BOSTÓN PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTÓN ARGENTINE INVESTMENT FUND, SICAV, BOSTÓN GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTÓN STRATEGIC INCOME FUND, SICAV, BB Lixembourg sociétés d'investissement à capital variable with registered office at 69, route d'Esch, L-1470 Luxembourg.

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal"), (2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 18, rus Eugène Ruppert, L-2453 Luxembourg;

subject to the approval of the Merger Proposal by the Shareholders of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON INTERNATIONAL FUND I, SICAV in their respective Extraordinary Shareholders' Meeting:

(I) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies

(II) to approve and ratify the Merger Proposal published in the Mémorial, Recuell Spécial des Sociétés et Associations;

(iii) to accept the Issue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new compartments as follows:

- BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT, in exchange for the contribution of all assets and liabilities of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT FUND for each cancelled Class B share of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV; BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class 8 share of BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT for each cancelled Class 8 share of

- BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new Class 8 share of BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT for each cancelled Class 8 share of BOSTON INCOME INVESTMENT FUND, SICAV;

- BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME in exchange for the contribution of all essets and liabilities of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME for each cancelled Class B share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV; BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT for each cancelled Class B share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON ARGENTINE INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT for each cancelled Class 8 share of BOSTON ARGENTINE INVESTMENT FUND, SICAV:

BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION in exchange for the contribution of all assets and liabilities of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV in the proportion of 1 new Class 3 share of BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION for each cancelled Class 8 share of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV:

BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME in exchange for the contribution of all assets and liabilities of BOSTON STRATEGIC INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME FUND, SICAV; There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting. Each share is entitled to one vote.

The Shareholders on record at the date of the meeting are entitled to vote or give proxies Proxies should arrive at the registered office of the Company at least 48 hours before the meeting. The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost):

the three lest entruel financial reports with menagement reports of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV; - the reports of the Board of Directors of BOSTON INTERNATIONAL EQUITY FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, and BOSTON EUROPEAN BOND FUND, SICAV on the Merger Proposal;

the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Director

MARGINED CURRENCY DEALING

111,101Flexible managed accounts

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- the Merger Proposal;

CALL TOLL-FREE Austria 0680 7480 Denmerk 8001 0430 Finland 0800 49129016 France 0550 6446 Included 1 800 565018 Moranty 8001 1181 Italy 1676 70975 Portugal 0505 493561 Sweden 02079 1071 OR CALL DIRECT Tel: (49) 40 301 870 Fax: (49) 40 321 851

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For information please contact:

Robert Hunt +44 0171 873 4095

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FINANCIAL TIMES TUESDAY MAY 21 1996 *	. 37
NYSE PRICES	NASDAQ NATIONAL MARKET 4 pm close May 20
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record close in midsession

Wall Street

US shares inched higher in quiet, midsession tradeas investors hoped that some signal about the course of monetary policy might emerge from today's meeting of the Federal Reserve's Open Market Committee, writes Lisa Bransten in New York.

Trading was volatils throughout the morning, with the Dow Jones Industrial Average climbing more than 24 points in early trade before the index fellinto negative territory. By 1 pm, however, the blue chip index had recovered from its low and was trading with a gain of 14.01 at 5,701.54. That put the Dow on course to end above the record close of 5,689.74 set on April 3.

Modest gains in other indices belped them to top record highs set on Friday. The Standard & Poor's 500 added 1.38 at 670.29, the Amarican Stock Exchange composite gained 1.01 at 606.22 and the Nasdag composite was 3.93 stronger at 1,245.81. NYSE volume was

Few on Wall Street believed that the FOMC would move interest rates at today's meeting, but economists were divided about whether the Fed's next move would be a loosening or a tightening of monetary policy. Many strategists were hopeful that the Fed public holiday.

would put out a statement at the conclusion of the meeting that would indicate whether policy was biased toward easing or tightening through to the end of the year.

The bond and currency markets were generally supportive of equities, with both posting modest gains in early trading The yield on the benchmark 30-year Treasury hond fell 3 basis points to 6.80 per cent, thus removing some recent fears that higher bond yields would attract money to bonds

In individual shares, Valu-Jet the US discount airline. continued the fall that it began after one of the company's aircraft crashed in Florida, dropging another \$1% or 9 per cent to \$12. In the previous five sessions, the carrier's shares had lost more than \$4%.
Toys 'R' Us added \$% at \$30%

after reporting first-quarter earnings of 7 cents a share. estimate by I cent a share. Shares in Gucci Group rose \$2% or 3 per cent to \$65% as investors bet that the compa

ny's earnings, which are due today, would be strong. A \$1% decline in shares of Aluminum Company of America to \$631/4 weighed on the Dow. An analyst at Smith Barney downgraded the shares to "outperform" from "buy • Toronto was closed for a

Mexico edges ahead

Mexico City was slightly firmer in midsession trading, with the IPC index up 6.20 at 3,265.57. Dealers said that they expected the market to test the next resistance level at 3,270 during the session, on optimism over recent positive economic data. Sigma, a food manufacturer,

was nearly 5 per cent stronger SAO PAULO had made a little headway hy midday ae investors continued to make purchases of Telebras, which had announced strong firstquarter earnings at the end of

last week. The Bovespa index was 52.36 higher at 55.656.

•3

The utility, which accounts for more than 40 per cent of the market's capitalisation,

had risen nearly 3.5 per cent on Friday, and by midsession yesterday the domestic stock was slightly stronge Brokers said that they could

not rule out some profit-taking later in the day; so far this month the preferred shares have risen by more than 10 per

Attention was also being directed at Light, as investors awaited news of the power distributor's privatisation.

in midsession trade as profits were taken after last week's 6.9 per cent bull run. The Merval index was 0.66 easier at 609.35 by midday, still holding above 600 achieved last week for the first time in 19 months.

| Index | Inde

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Belgium	+1.93	+1.13	+15.80	+6.92	+2.75	+0.31
Denmark	-0.28	+0.32	+11.59	+8.35	+4.41	+1.45
Finland	+1.39	+3.81	-0.43	+10.22	14.22	+1.58
France	+1.01	41.97	+8.99	+16.41	+12.81	+9.01
Germany	+2.58	-0.41	+17.66	+10.17	+5.83	+2.45
Ireland	-0.21	+0.40	+27.29	+11.32	+11.27	+8.85
Italy	+1.60	+7.36	-0.13	+11.78	+17.49	+12.39
Netherlands	+0.29	+2.33	+28.34	+14.21	+10.00	+8.25
Norway	-0.23	+0.02	+14.40	+9.91	+8.60	+5.51
Spain	+0.94	+1.31	+25.92	+12.81	+9.96	+8.22
Sweden	+1.12	+2.72	+25.32	+14.69	+15.60	+11.72
Switzerland	+0.92	-0.92	+30.85	+8.56	+2.29	-0.73
UK	+0.74	-1.70	+15.04	+3.56	+3.56	+0.59
EUROPE	+1.08	+0.27	+16.91	+8.95	+6.88	+3.67
Australia	-0.22	-0.36	+10.12	+1.38	+11.79	+9.58
Hong Kong	+2.10	-0.20	+17.04	+9.84	+12.47	+8.95
Japen	+1.68	+0.04	+27.00	+5.38	+4.40	+2.18
Malaysia	-0.20	-1.52	+9.39	+14.42	+18.56	+16.28
New Zealand	-1.40	-2.62	-7.05	-3.96	+3.23	+0.74
Singepore	-3.18	-6.88	+5.84	+1.36	+4.35	+2,14
Canada	+0.48	+2.75	+18.63	+10.81	+13.09	+10.47
USA	+2.55	+3.67	+26.46	+8.56	+11.21	+7.97
Mexico	+1.95	-2.52	+53.44	+18.93	+26.86	+22.25
South Africa	+1.02	-1.37	+22.99	+10.43	-4.54	-5.40
WORLD INDEX	+1.78	+1.56	+22.87	+7.96	+8.45	+5.54

FT/S&P ACTUARIES WORLD INDICES

.197.57 .169.18 .425.67 .277,54

157.91 1282.76

292.84 ...80.28 245.18

177.32 285.65 .176.75

272.76

249.23

.181.59

243,80 205,01 293,33 195,95 182,71 260,22 187,41

141.28 202.14 115.05

125.91

0.3 209.50 144.37 189.93 183.67

NATIONAL AND REGIONAL MARKETS

MARKETS IN PERSPECTIVE

Dow heads for Frankfurt, Paris fall back as Nordic duo shines '

bourses, Frankfurt and Paris, were as unwilling as London to follow Wall Street's early gains for a second day in succession, traders talking of low volume, token warning strikes in the German public sector, and the threat of industrial action in France later this week. However, other markets were not

STOCKHOLM highlighted pharmaceuticals, the eector climbing 25 per cent as the Affärsvärlden General index rose 22.4 to 2.005.5 in turnover of SKr35hn Astra, due to be listed in

New York on Thursday, saw its A shares np SKr8.50 at SKr317.50, partly due to gains in US drugs companies in New York on Friday. Pharmacia & Upjohn, meanwhile, put on SKr5.50 at SKr277.50, as J.P. Morgan's Mr Steven Tighe put out a buy note in advance of Pharmacia's R&D analyst ting tomorrow, looking forward to news about oxazolidinones, described as "a novel class" of antibiotics.

Forestry shares gained on falling pulp stocks, SCA clos-ing SKr2.50 higher at SKr149; and Ericsson jumped SKr3.50 to SKr149 on news that Smith Barney had upgraded its Finnish rival Nokia.

HELSINKI climbed to a seven-month peak in a rally

The Continent's two higgest fuelled by Nokia and Raisio, and the Hex general index fin. ished 27.39 or L4 per cent ahead at 2,025.34.

Nokia rose NKr4.90 to NKr174.50 on the Smith Barney upgrade. The move came as the US investment bank reduced its 1996 earnings forecast, following last week'a lower than expected first quarter earnings figures, hut

increased its 1997 projection. Raisio finished FM6 higher at FM306. Earlier, it had attempted to match the pace of last week's 42.5 per cent rally, shooting up 15 per cent to another record high of FM345 in further response to reports about the company's cholesterol reducing margarine.

AMSTERDAM was supported by strength on Wall Street and the AEX index moved ahead 3.98 to 558.18, although turnover was understood to have been lower than average. Among the leaders, Akzo Nobel firmed FI 4.00 to FI 198.50

the company, believing tha stock to be undervalued. Vendex, the retail and services group, appreciated 90 cents to FI 51.90 as it said that it would buy back 7 per cent of its shares from the Veda hold-

as Salomon raised its rating on

ing company. However, Nedlloyd slipped 40 cents to Fl 36.60 ahead of today's first-quarter results.

FT-SE Actuaries Share Indices THE EUROPEAN SPRIES Open 10.30 11.00 12.00 Hourly changes 13.00 14.00 15.00 Close FT-SE Senemark 100 1690.75 1691.92 1690.15 1699.47 1699.99 1692.21 1697.41 1690.64 FT-SE Senemark 200 1736.29 1736.54 1732.88 1730.19 1733.07 1734.20 1734.12 1733.48 May 16 May 14 May 13 1690.34 1682 03 1682.63 167R.81

> Analysis were expecting a net loss from ordinary operations of between Fl 15m to Fl 30m. MILAN made a strong start

as Mr Romano Prodi was sworp in as prime minister. but the shares subsequently ran into profit-taking as investors awaited inflation figures from three cities after the market closed. The Comit index rose 6.80 to 674.10 hut the realtime Mibtel index turned back from a high of 10,775 to finish 12 weaker at 10,698.

Fiat rose L85 to L5,297 after weekend reports quoted the chairman, Mr Cesare Romiti, as saying that the group planned to sell off some noncore assets. Smia BPD, seen by analysts as a possible candidate, added just L2 at L2,035. Magneti Marelli rose L74 to 1.2,493 as the motor compondents group, controlled by Fiat, reported higher sales in the

first four months of 1996. Pirelli picked up L25 to

trends in 1996 were mirroring those of 1995 when consolidated net profits doubled. Montedison rose L20.1 to L991.1 on further vague break-up talk sprrounding the company.

tay: 100 - 1693.76, 200 - 1779.39 Louister: 100 - 1693.87 200 - 1731 81, † Partie

MADRID saw more strength in ntilities, where there had been talk of stakebuilding by major Spanish banks. The sector put on 1.1 per cent, Endesa outperformed again with a rise of Pta150, or 1.8 per cent, to Pta8,330 and the general index hit new highs, up 2.59 at 362.96.

FRANKFURT had a morning run, stopping a point short of its all-time Ibis Dax high of 2,558.56, but fell away through the afternoon to close 10.31 down at 2,541.98.

Turnover was virtually flat and low, by recent standards, at DM6.9bn. Lacking a coberent investment direction, the mood turned speculative and bad results from the depressed construction sector wera rewarded, mostly, with share price rises, Dyckerhoff putting

Bau DM19.50 at DM190, although the latter was seen as optimistic for the current year. ZURICH's rate sensitive

hanks and insurers led the way down on renewed concerns about interest rate devalopment, and the SMI index finished 9.0 weaker at 3.584.0. UBS bearers fell SFr38 to

SFr1,155, but analysts said that the fall was the result of technically inspired trading and derivatives related transactions. SBC lost SFr5.75 to SFr227.50 ahead of today's hoard meeting.

Against the trend, Ciba picked up SFr16 to SFr1,423 and Sandoz was SFr10 higher at SFr1,332 after Ciba's chairman reported that sales growth had improved in April.

Baloise ended SFr145, or 5.1 per cent, lower at SFr2,675 after the insurer announced a co-operation agreement with CSS, the health insurer. PARIS blamed profit-taking

FFr3bn as the CAC-40 index eased 16.32 to 2,120.59. Among the banks, BNP lost FFr3.20 to FFr198, Bancaire retreated FFr8 to FFr584 and Crédit Lyonnais slipped

in thin turnover of just over

FFr5.50 to FFr164. The banks team at Goldman Sachs said yesterday that it was maintaining an underweight rating on the eector,

and remained pessimistic in the medium term based on ongoing "structural problems" At the core of Goldman's arm ment was the belief that "France's bank profitability problem lies not in asset quality difficulties, but rather in a fundamentally poor operating structure" In addition, said Goldman, "the propensity to make radical change in the French hanking system

remains low". VIENNA firmed 1.2 per cent helped by strong demand for leading issues such as OMV. The ATX index advanced 13.00 to 1.222.8

OMV made Schl4 to Schl,055 ahead of the pricing of a secondary share offering from the oil group. The state holding company later announced that the secondary offer would be priced at Sch1,055 a share. ISTANBUL lost some of the

morning's gains as profit-taking came to tha fore in the afternoon. The composite index rose 902.51, or 1.4 per cent, to 66,647.66, having climbed more than 2 per cent at one stage. Turnover was TL12,040bn. Analysts felt that last week's

fears that the coalition govers seemed to have been allayed.

Written and edited by William Cochrane, Michael Morgan and

Taipei falls 4% following presidential inauguration

Taipei dropped 4.1 per cent in spite of heavy government related buying. The weighted index lost 248.29 at 5,774.89, off a session's low of 5,759.14, in turnover of T\$50.3bn.

Brokers said investors had found little to commend in the inaugural address of President Lee Teng-hui, the first directly elacted head of state. One remarked that a celebratory rally had been anticipated for more than a month, but now investors were simply disappointed at the lack of content in the president'e speech.

Financial stocks led the session's fall with a decline of 5.4 per cent. Chang Hwa Bank, which had risen early on, fell T\$5.50 to T\$147.50 and Cathay **BUENOS AIRES edged back** Life tumbled T\$8 to T\$165. The construction sector retreated 5

Tokyo

Undermined by profit-taking and technical activity, the Niktain a 357-point morning gain, writes Emiko Terazono in

The 225 index ended a net 62.40 up at 21,979.00, just off a day's low of 21,977.39; it had seen a high of 22,311.29. The dollar's rise above the Y107 level for the first time since April 25 lifted early sentiment, encouraging futures-led buying and purchases by corporate stock investment associations. But profit-taking, and selling as professionals adjusted their positions, gathered momentum

Volume totalled 391m shares, against 464m. Trading was led by arbitrage linked activity,

while many domestic investors, along with overseas investors, remained on the sidelines and watched the rally lose steam. Individuals, who had been active huyers of speculative favourites over the previous few weeks, started to take

profits on their positions. The Topix index of all first section stocks gained 4.71 on balance at 1,689.04 and the Nikkei 300 put on 0.79 at 311.97. Rises led declines by 593 to 458. with 179 issues unchanged. In London the ISE/Nikkei 50

index gained 3.38 at 1,473.07. High-technology issues were mixed in spite of the stronger dollar. Some investors were discouraged by reports of weakening earnings growth at semiconductor manufacturers. Among epeculative stocks, Nagasakiya, the aupermarket chain, fell Y39 to Y940 on

active selling; consumer elec-tronic retailer Dai-Ichi Katei Denki lost Y25 to Y845. Electric railway and bus gards, gained ground. Seibn Railway rose Y320 to Y6.020. Firm crude oil prices helped oil refiners and distributers. Nip-

pon Oil improved Y14 to Y708. Steel issues were supported by domestic institutions. Nippon Steel, the day's most active issue, put on Y6 at Y378. In Osaka, the OSE average was finally 77.56 up at 23,482.15 in volume of 37.7m shares.

Doubts that the fledgling gov ernment of the Hindu nationalist BJP would be able to stay in power left BOMBAY tumbling 2.7 per cent. The BSE

S Africa stages broad retreat

Index | Index |

2.09 213.42 209.31 143.88 170.52 185.28 214.52 181,82 185.42

247.73 242.95 167.01 207.39 203.39 139.82 297.18 297.43 200.34 171.79 188.47 115.81 186.51 182.91 125.74 264.44 256.34 176.28 189.70 186.04 127.89 288.64 254.05 155.27 187.74 184.12 125.57 211.69 207.61 142.71 243.69 238.59 164.29

Johannesburg staged a broad retreat after the banks' decision last Friday to raise their prime lending rates to 20.5 per cent, without waiting for a lead from the Reserve Bank. The overall index finished 70.6 off at 6,671,0 and golds surrendered 28.8 to 2,000.1.

Industrials were lower for a fourth consecutive session, relinquishing 97.8 at 7,723.9 and taking the index down 10.3 per cent since April 25, the day before the Reserve Bank increased its bank rate to 16 per cent in an effort to steady a wildly volatile rand.

said to have remained firmly on the sidelines. Analysts noted that the day's

30-share index receded 101.67 to

3.694.29, with foreign funds

fall took the index below its 3,700-point resistance level. opening the way to a further fall to 3.620.

HONG KONG jumped 1.6 per cent in response to Friday's rally in US stocks and bonds The Hang Seng index finished 170.74 higher at 10.987.59 after meeting resistance as it tested the 11,000 level. Turnover rose to HK\$4.6bn.

Li Ka-shing's Cheung Kong rose HK\$1 to HK\$54.25 and its Hutchison associate climbed 80 cents to HK\$48.50, although the Li flagship did no more than to hint at its infrastructure

spin-off plans in an announce-ment published on Monday. HSBC advanced HK\$2.50 to HK\$114.50 and its Hang Seng Bank unit was ahead HK\$1.50

at HK\$80. HK Telecom gained 15 cents to HK\$15.20 after the People's Daily reported that China, the group's largest overseas calling market, planned to cut international charges by an average 20 per cent in the second half.

SINGAPORE was lower as investors continued to adopt a cantious approach to property stocks, which plunged last week after the government announced a rash of measures to curb epeculation. The Straits Times Industrial index fell 18.87 points to 2,322.92.

Wing Tai Holdings bucked the trend, adding 8 cents at \$32.99 on rumours that 70 per cent of its new project in a prime resi-dential district had been sold. SEOUL closed higher after a

late spurt of institutional demand for blue chips, and the composite index picked up 6.27 at 935.07. Samsung Electronics fell in the morning on worries about

a cut in profits in line with falling chip prices, but later rallied to end at Won86,000, up Won1,500, on foreign and institutional buying. BANGKOK fell to a seven-

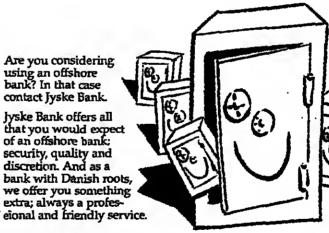
week low on profit-taking in major issues and continuing worries about a cabinet resbuffle. The SET index shed 10.97 Among property issues, to 1,289,23 in volume of 60,2m

shares valued at a lower than average Bt4.3bn. The slow trading was attributed to uncertainty over a cabinet reshuffle

expected later this week. TelecomAsia was the most actively traded stock, dipping Bt2.50 to Bt54 on an 82 per cent fall in the group's first-quarter

JAKARTA was softer in very light turnover as most inves tors remained sidelined in anticipation of three forthcoming IPOs. The JSX index shed 3.70 to 617.69. The first IPO is scheduled to be PT Citatah, a manufacturer of marble, on May 28, with PT PP London Sumatra Indonasia and PT Cahaya Kalbar, a cocoa butter producer, to follow in June. Knala Lumpur was closed.

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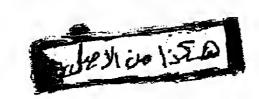
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* Hope grows that IRA will resume ceasefire

at Westminster and John Murray Brown in Dublin

Expectations of a ceasefire by tha Irish Rapublican Army were raised last night after Mr Gerry Adams, Sinn Péin president, said he would accept the six principles of non-violence to be put to all parties at the start of talks next month.

Mr Adams's comments come amid increasing optimism in London and Dublin that the IRA may abandon its campaign of violence to enable Sinn Fein, its political wing, to take part in the negotiations from the

Officials of the government of the Republic of Ireland who have met Mr Adams and Mr Martin McGuinness, Sinn Féin's chief negotiator, in recent weeks believe Sinn Féin is making detailed preparations to rejoin the political pro-

The British, Irish and US

governments have told Sinn Péin it will not be allowed into the talks before the IRA calls a

During the first plenary session of the talks all the parties will be required to declare their commitment to the six principles set out by former US Senator George Mitchell in his report on arms decommissioning last January.

The principles were devised by Mr Mitchell's team as a

means of overcoming an impasse caused by Shin Féin's refusal to accept a British condition that the IRA make an initial physical handover of eapons. Sinn Péin had previously indicated it was not opposed to the Mitchell formula, which emphasises that parties must abide by political sgreemants and must not revert to violence.

However, in a BBC interview last night, Mr Adams gave an explicit pledge when he said: "I'll sign up to the Mitchell principles provided everyone else does it and provided they are within the context of proper all-party talks." Senior British officials said

the statement appeared to lay the ground for an IRA ceasefire, which they say is more likely to take place before the May 30 elections to a Northern Ireland forum than after.

However, they pointed to a possible negative interpretation. Sinn Féin might use Mr Adams's remarks to argue that it has nothing to do with the IRA and abould be allowed into the talks whether a ceasefire is announced or not.

The prospect of Mr Adams and Mr McGuinness demanding in front of tha world's press to be let into the negotiating room in Belfast on June 10 alarms UK and Irish ministers.

In recent days, Sinn Féin has been auxinus to play down expectations of an imminent ceasefire, although party officials do not rule it out alto-



Ulster Unionist party leader David Trimble and his wife campaigned in Belfast yesterday for the election of the 110-seat Northern Ireland forum, from which parties will appoint negotiators for talks on the future of the region. Mr Trimble, leader of the largest pro-British party in the region, said he "was seeking an alternative and a replacement of the Angio Irish Agreement" – the 1985 accord which first sushrived the Irish Republica right to a rola in Northern Ireland.

question is the extent to which Mr Adams and Mr McGuinness influence the IRA army council and are party to its decisions. such as the resumption of ter-

rorism with the Canary Wharf bombing in London on Feb 9. Mr Adams made clear yesterday that Sinn Pein "are not the IRA".

Mr Seamus Mailon, deputy

leader of the moderate nation alist Social Democratic and Labour party, said Mr Adams's agreement to abide by the six principles had "changed the landscape completely".

planned over BSE

battles

The battle between the government and sections of the meat industry is set to intensify with two further legal challenges over ministers' handling of the beef crisis.

Meat exporters are to apply to the High Court in London today for a judicial review of the government's decision to exclude them from s package of compensation for the abattoir and rendering sectors.

They are seeking £18m to cover stocks of beef which have been unsaleable because of the government's order at the end of March hanning catthe over 30 months old from Entering the food chain, and the parallel EU ban on British

beef exports. On Thursday, an alliance of abattoirs and beef producers will seek leave from the High Court to apply for the ban and the consequent destruction of the animals - to be nverturned because it conflicts with government assurances

that British beef is safe. The challenges follow the legal action isunched last week against the government for its handling of the BSE issue by the family of a wnman who diad of Crentzfeldt-Jakob disease (CJD), the human equivalent

of the cattle brain disease. The UK government plans to contest attempts by the meat exporters to extend the package of financial belp.

Ministers, while hopeful of progressive easing of the EU ban to exempt specialist berds and cattle born after May 1 this year, believe the main ban is likely to stay for many months. Even when it is lifted. they do not expect British beef exports to return to pre-crisis levels, possibly for years.

The government is determined to restrict support to the hain links in the beef chain - farmers, abattoirs and renderers - without which the chain would collapse.

Coopers & Lybrand, the accountants, are preparing a report for the government on the impact on other sectors of the industry and are believed likely to recommend no help for exporters. The International Meat Trade Association says that such a course by the government would be discrimi-natory.

More legal | Labour party remains wary of rejoining ERM

By Robert Peston, Political Editor, in Paris

The opposition Labour party launched a campaign yesterday to seek the views of the City of London on the practical challenges of European mone-tary union. But the party stressed that it opposed the pound rejoining the European exchange rate mechanism.

Mr Gordon Brown, the party's shadow chancellor of the exchequer, said he wanted to elicit "all the potential costs of not joining a European single currency. Speaking in Paris, where he is discussing monetary union with the French finance ministry and the Bank of France, he said that uncer-

By Jim Kelly,

Accountancy Correspondent

The government is expected to

come under renewed pressure

to reform the law of profes-

sional legal liability with the

poblication this week of an

independent report written for the European Commission.

.The report will recommend

that anditors in the European

Union should be liable in court

actions for negligence only in

Experts from the Accounting

proportion to their degree of

and Auditing Research Centre

at Maastricht will argue thet

such reform will help remove

an excessive threat of litigation

The UK Department of Trade

and Industry is considering

responses to a consultation

paper which rejacted such

wholesale reforms for profes-

sionals in the UK. Anditors,

lawyers, surveyors and archi-tects have been pressing for reform of joint and several lia-

bility under which profession-

als can end up paying all dam-

ages in a court action because

If, for example, a company

collapses because of frand, the

auditor may be sued for all the

creditors' losses even if the

directors were negligent and

As a result secountants

claim legal costs amount to up

the fraudsters prosecuted.

they are seen as having "deep

pockets" to meet the claim.

against auditors.

Auditing report

reopens call for

liability reform

ERM would operate meant that he was "not recommending rejoining" the system.

He repeated that monetary union could have "substantial benefits". However, in a speech to the French employers' organisation, the Conseil Nstional du Patronst de France, he said it would be complacent" to fail tn take account of the relative costs and benefits of joining or staying ontside.

This summer the party would organise a conference of leading City figures to debate the main issues. He needed to "take account of the effects on employment, industry and possible effects on the City of Lon-

"catastrophic" claims could

Mr Bruce Picking, technical director at the Institute of

Chartered Accountants in

England and Wales, said: "This

must be good news." Having

received the report, written by

the Maastricht Accounting and

Auditing Research Centre, the

Commission will publish a con-

sultative paper on the future of

auditing within the EU this

summer. At present several KU

members already have propor-

Mr Picking said he did not

expect Brussels to pick up the liability issue itself. Reform of

liability is backed by the EU

There was widespread disap-

pointment among UK profes-sionals last year when the DTI

published a report by the Law

Commission which defended

the existing law as providing

professional negligeoce.

a strong case for reform.

tionate liability.

auditing profession.

wipe out some husinesses

financial services". Yesterday Mr Brown held

meetings with Mr Jean-Clande Trichet, governor of the Bank of France, and Mr Jean Arthuis, the finance minister. They were keen to discover whether Mr Brown shares the opposition of the British gov-ernment to rejoining the ERM. Although less trenchant on the subject than Mr Kenneth

Clarke, the chancellor, Mr Brown made clear that he did not favour sterling participating in any current ERM or a reconstituted version for currencies unable to join a single currency in 1999. Labour, like the UK govern-

ment, is acutely aware of the

could rejoin, following its precipitate exit in 1992, However, Labour favours monetary union in principle, A fortnight sgo, Mr Brown lowered the hurdles for a Labour government to take sterling into s single currency by saying that the trends in output and pro-

ductivity were more important than their absolute levels

any indication that sterling

when making the decision. Yesterday he called on European Union members to "achieve the degree of integration and convergence necessary" for monetary uninn through "greater co-operation". He stressed that monetary union must not be achieved at selves," he said.

unemployment and that "real economic convergence" is therefore as important as the financial criteria in the Maas-tricht Treaty, "Ynu cannot huild a monetary union on doing nothing about 20m unemployed," he said.

While criticising fraud and wasteful spending in the EU, the thrust of his speech was decidedly pro-European. He distanced Labour from the debate in the Conservative party about whether the UK should withdraw from the EU. "Those who believe that Britain is stronger on her own ontside - a Hong Kong nf Europe - are deluding them-

Exchange steps up fight against insider trading

By John Gapper,

The news that the London Stock Exchange is to use artificial intelligence techniques to clamp down on insider trading in the City of London may have caused a few flutters yesterday. Yet it is still unproven that artificial intelligence can defeat the actual intelligence of City criminals.

The aim of the exchange's initiative is clear enough. It is to catch the most sophisticated forms of insider trading and market manipulation, which are hard to detect. These involve City professionals such as brokers and lawyers who trade in securities using privileged information.

Mr Richard Kilsby, the director of market services at the exchange, says it is currently far easier to catch odd cases of individuals dealing illegally than persistent criminality in the City. "This could give us the chance to trap the most complex cases of insider trading." Mr Kilsby says.

protection for the victims of The exchange's problem in The decision of the DTI to catching insider trading is not issue the report as a consultaa lack of information, but the tion document was seen as a opposite. It employs analysts signal that the issue was not and investigators to examine closed - but that those profesmost suspicious transactions, sions affected needed to make but its methods of identifying them have relied on humans interpreting a mass of data The accountancy profession flooding in from daily trading. The exchange uses software

in particular sees the present system as a threat to its viability as increasing litigation threatens to spread to the UK from the US - where recent called Integrated Monitoring and Surveillance System (Imas) to analyse cases of, for federal law reforms have introexample, a share price rising

ment that a company is facing a takeover hid. However, most obvious movements are caused by speculation rather than illicit trading.

Most sophisticated insider

trading or market manipulatioo does not cause such obvious price changes. An adviser trading for his own account before an announcement can do so well in advance of any price surge. He can also pass information to others with no obvious link to the company involved. This is where the exchange's initiative comes in. It has asked a company called SearchSpace, formed by eight former doctoral students from London University, to link artificial intelligence software to its Imas system. The software will analyse data in a different

manner. Instead of merely pointing out obvious price changes, this software will search for patterns in how individual firms and customers trade. It is able to detect links between different transactions that are not at all obvious, such as two people who have traded in a pattern

over two years or more.

It uses different types of arti-ficial intelligence first to identify patterns, and then to analyse more deeply whether the patterns have persisted over time. Its designers say it could identify, for example, a 15-man trading ring only half of whose members tend to trade illegally at any time.

This technique could also pinpoint patterns of manipulation of the market that also concern the exchange.

although they do not involve insider trading. An example is the ramping of the share price of a company by s ring of people passing a parcel of shares around to simulate an active

The software, which should start working from August, could in theory have been linked in real-time into the Imas system, to produce alerts for potential malpractice. But in practice, Mr Kilsby and other officials have chosen to run it offline, so that It will back up the human analysis of data

The key question is whether this will actually lead to an increase in convictions for insider trading. It has been very hard to secure such convictions, mainly because the burden of proof is high compared with the US. This is because it is a criminal offence in the UK, rather than a civil

This means that pure statistical analysis pointing to the strong likelihood of a link between two people trading in a pattern is not enough to secure s conviction. Investigators will still face the difficulty of persuading suspects to confess to being part of an illegal

Of 1,000 cases investigated by the exchange last year, only 45 were passed on to other agencies for further inquiries. The artificial intelligence software may well help investigators to work productively by focussing does not guarantee that convic-

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By Christopher Price in London

With £1.6bn (\$2.43bn) of National Lottery funds to hand out, the Millennium Commission is accustomed to rejecting projects from the public which do not make a feasible business

it is with a tinge of irony, therefore, that the commission finds itself rebuffed in the search for up to £300m and a commercial partner for its pet project, the millennium exhibition at Greenwich in south-east London

Last week, the commission decided to give Sir Peter Levene - the governent adviser who has been trying for three months to attract a leading pricompany for the £500m project until the end of June to sign up a partner. The commission has also delayed its decision to approve £200m of lottery funds for the cause. Sir Peter, the former senior government official who masterminded the rescue of the Canary Wharf complex in London's Docklands, is head of the prime

minister's efficiency unit. Discussions are continuing with s number of interested companies. But those close to the talks say stumbling



The 18-month-nid National Lottery has added to the reputation of the British as s nation of gamblers. By the middle of last year the number of THE NATIONAL people playing the lot-LOTTERY tery had risen to 30m

people a week - or 70 per cent of the adult population - even though the odds against winning the weekly top prize are about 14m-1. Prizes range from £10 (\$15.20) to many millions. Each ticket costs £1, of which more than 50 per cent goes towards prizes, 28 per cent to five "good causes", 12

blocks remain about detailed financial information on the scheme, the long-term use of the 30ha site and the amount of the investment. "Companies are used to making commercial decisions on the basis of detailed knowledge of markets they know." said one adviser close to the talks. This is a unique, one-off project and is financially very difficult to quan-

With a potential funding gap of

per cent in state lottery tax and the rest to charities, retailers who sell tickets and the lottery operator. The licence to operate the lottery is held until 2001 by Camelot, a consortium consisting of Cadbury Schweppes, the UK food processing company; De La Rne, the banknote and security printer, ICL, the UK computer offshoot of Fujitsu; Racal, the electronics and communications group; and Gtech, the US lottery equipment man-ufacturer. So far almost £2bn has been raised by the lottery for the "good causes" of the arts, charities, national beritage, the millenniam

fund and sport. £300m, the list of companies willing to invest heavily in a project with a one-year pay-back and uncertain rewards is unlikely to be large. The commission had been hopeful of assembling a consortium to finance, build and operate the exhibition. However, Sir Peter is said to be keensr on signing a sin-

gle company to lead the development and to bring in other companies on a British Telecommunications, Brit-

ish Airways, Virgin and BAA, the airports operator, have all been linked to the Greenwich project. While admit-ting to the difficulties of quantifying certain aspects of the Greenwich exhibition, the commission believes the business case is hardening as the plans grow in detail.

Imagination, the consultancy which won the contract to design the exhibi-tion, has completed its final blueprint for the site. The exhibition will be based on the concept of time, with a giant sundial surrounded by 12 pavilions in the shape of an enormous clockface. Part of the Imagination plan also includes starting the celebrations in the regions in 1997, with the culmination at the Greenwich site

three years later. The commission estimates that between 10m and 20m visitors will visit the exhibition in the year 2000. An entrance fee would be charged, while additional revenues would be provided from catering, transportation, accommodation and other onsite entertainment provisions.

Sponsorship also provides a potentially lucrative revenue stream. The commission is keen to use the Olym- is fast running out.

pulling in funds for sponsorship but also generating additional funding through solvertising by the sponsor of its involvement. In order to bolster the commercial

argument for Greenwich, the commission is considering asking the government to step in.

Such a move would prove controvarsial, with the government's stringent attitude to funding commercial ventures and with £200m of lottery money already promised However, the commission is likely to argue that any input from the govern ment, perhaps in the form of a guar antor of loans, would not necessarily involve the injection of extra public

The commission is also acutely aware of the embarrassment the cancellation, scaling down or transferring of the exhibition would cause.

Armed with more financial flexibility and more sophisticated plans, Sir Peter's powers of persuasion should be greatly strengthened. Howsver, like everyone involved in the Greenwich exhibition, he is aware that time

UK NEWS DIGEST

Premier to laud privatisation Mr John Major will tonight signal that privatisation is back at the top of the Conservative election agenda by claiming that

minister is expected to use yesterday's flotation of Railtrack to demonstrate that public enthusiasm for privatisation has not been diminished by last year'a arguments over salaries for gas and water company chiefs. The transfer of the utilities to the private sector has, Mr Major will say, produced lower prices for consumers, better services and saved taxpayers large sums through the removal of subsidies. Government strategists are preparing to mount a concerted campaign to persuade voters of the benefits of privatisation. "We've got a lot of catching up to do in the public relations stakes," said a senior cabinet member.

the difficulties surrounding the sell-off of the utilities are over-

In a speech to the Confederation of British Industry, the prime

John Kampfner, Westminster

Car output stays high

Car production in the UK continued at a 20-year high in April although last month's recorded 9.4 per cent rise in output compared with the previous April was inflated by a statistical distortion. Raw figures from the Office for National Statistics showed total car output last month of 133,969 units compared with 122,476 in April last year. However, the ONS has changed its reporting system from four or five-week periods to a calendar month basis, which means that April this year contained a

longer production period than in April last year.

Even on the NSO's seasonally adjusted calculations, howaver, last month's output was 2.1 per cent higher. For the first four months of the year as a whole car output totalled 556.951 on an unadjusted basis, 2.4 per cent higher than a year before and leaving the industry on course to produce more than 1.6m cars this year, the highest total for two decades. On a season ally-adjusted calculation, output for the four months was 1.8 per cent higher. John Griffiths, Industrial Staff

Bahasa wins sponsorship

The Royal Grammar School in High Wycombe, about 60km west of London, gained backing from HSBC, the banking group, British Aerospace, Vickers, Roll-Royce and Research Machines for becoming the first school to teach Bahasa, the indigenous language of Indonesia and Malaysia. The school is a selective boys' school. Teachers will be provided by the University of London's School of Oriental and Asian Studies. The school's pupils will also make direct links, via the Inter-

net, with schools in Malaysia and Brunei. Mr David Levin, the beadmaster, said: "We want to interna-tionalise the curriculum, and this is where future growth and job opportunities lie. More than 200m people speak Bahasa in the fastest growing economic area in the world."

Mr John Bond, group chief executive of HSBC, which is committing £100,000 to two language colleges, including High Wycombe, said the scheme was a "remarkably good opportunity" to address the learning of eastern languages in the UK which, he said, was very important for the company. Sponsor-ship of language teaching is organised under a government scheme under which specialist schools which win sponsorship from the private sector can have it matched by the govern-John Authers, London

Power of London charted

council of Training and Enterprise Councils. The capital contributes 17 per cent of the UK's GDP even though it has only 11.9 per cent of the country's population. Its potential labour supply, of 4m, accounts for 14 per cent of the UK total However, the report identified several problems. These included pressure on companies to relocate outside London while Loodon's economic base became more specialised, shifting away from retail finance and bulk food production towards global finance and "niche" food supply.

Strike vote at FT

A majority of members of the National Union of Journalists at the Financial Times have voted for industrial action, short of a strike, against management measures to reorganise and cut costs at the paper involving the loss of 30 jobs. In a ballot conducted by the Electoral Reform Society, 124 journalists - or 84 per cent of those voting - said they were prepared to take action short of a strike. In addition, 94 members, or 66 per cent of those voting, said they were prepared to take part in s strike. A total of 147 of the 224 members voted in a turnout of 66 per cent. A meeting of the FT journalists' chapel (office branch) must be held before any action can be taken. Raymond Snoddy, London

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duced proportionate liability. I sharply before the announce-Tough search continues for millennium partner

TECHNOLOGY



research despend. hut they spend it on, that counts. Once. R&D take pride in

the overall size of their research budget; now they are coming under pressure to assess the business value of individual projects.
In both public and private

sectors, the idea that more research is necessarily better is oo longer automatically accepted. A recent worldwide survey of 284 companies by SRI International, the consultancy, found no correlation between technology speoding and financial performance.

Likewise, a study by the Imperial College Management School on behalf of the UK Department of Trade and Industry's innovation unit found that the financial performance of companies was not directly linked to R&D spending. Rather, it was the effectiveness with which companies converted their research into a stream of new products that enhanced the value of the company and was rewarded by the

financial markets. But trying to measure the benefits from research spending is fraught with difficulties, At a recent symposium about R&D evaluation organised by SmithKline Beecham. Luke Georghiou, bead of the Univer-sity of Manchester's science policy unit, pointed out that the potential for the evaluation of research has been recognised for some 40 years, but there has been little consensus about bow best to do it. John Marriage, a consultant at PA Consulting Group, agrees. "Companies have found it far more difficult to measure the contribution of R&D to business performance than to measure most of the other functions In the value chain," be

Measuring the benefits of research spending is not an easy task, explains Vanessa Houlder

Intangible asset

The causes of the difficulties range from the delay between undertaking research and getting a return to the problem of assessing the contribution of the R&D division compared with that of manufacturing, marketing, sales and distribu-

That said, companies are often prepared to ignore the complexities in order to justify their research budgets. For example, ICI decided to evaluate the fruits of its research after a leading City analyst declared in froot of a large and influential audience that ICI's

Some companies believe a detailed cost-benefit analysis is necessary to plan

their investment

in R&D

investment in R&D had been "totally wasted". It believed it was vindicated after it looked at the percentage of ICI sales and profits that could be attributed to particular research projects over five, 10 and to

Some companies, bowever, take a more rigorous approach, believing that a detailed costbenefit analysis is necessary for planning their investment

in R&D. At its simplest, compa-nies estimate the net present value of projects by predicting the future cash flow that will be generated by a particular piece of research.

But estimating the long-term returns from technology spending is not easy. The difficulty of putting forward a convincing case about future cash flows can dissuade companies from undertaking long-term research, in the view of SRI's Daniel Brousseau. Short-term orientation was found to be the most important strategic prohtem over the next three years, according to SRI's recent tech-

nology management survey. This issue is a serious con-cern for those involved in allocating research funds. George Poste, R&D chairman of SmithKline Beecham, points out that innovation often happens over a long period and in most unexpected way. He cites the five biggest classes of pharmaceutical products introduced in the past three decades, ranging from betablockers to recombinant vaccines. "All of these have been phenomenally successful. But all were denied as having commercial potential," he says.

Marriage argues that companies should try to make the risks involved in a project explicit, by estimating the uncertainties in its timing. outcome and the volume and value of the market at every stage of a development

programme. The decision about whether to cootinue with the next phase of a development programme can then be analysed with a version of the option pricing theory used in the financial

risk," he says. But even a sophisticated financial analysis does not give the full story. Brousseau argues that companies should also look at how a project fits in with business plan goals: how it positions the company for the future and how it contributes to core competencies such as skills. Because it is so difficult to predict the future. SRI advocates "scenario planning", which conjures up a number of different futures and relevant technologies.

Georghiou also urges a broad approach. He says that by concentrating on numerical indicators, there is a danger that the less tangible benefits such as the capacity of organisations to absorb new under standing - will be overlooked.

The case for option analysis endorsed by Ed Lorch of

Amersham International. He says that experts from the various functional areas in the company should be asked to supply the range of outcomes they think likely, rather than using a stogte forecast of income from a successful product. "Options are about leveraging technical and commercial uncertainty at minimum

and R&D undervalued. Wheo it comes to evaluating public research, the shortfalls of relying on purely financial measures are even more serious, in the view of participants at the Smithkline Beecham seminar. In part, this is because basic research has beoefits that are particularly difficult to foresee. The dangers of a simplistic approach to evaluation are

ohvious. Susan Cozzens of the National Science Foundation in the US compares mistakes io evaluating fundamental research with "the reverse law of alchemy". She says: "You can turn gold into lead by applying the wrong assessmen

But despite the difficulties. there is a widely beld view



under way at SmithKline Beecham: innovation often happens over a long period and in a most unexpected way

that the issue of research evaldecision makers who are freuatlon will not go away. quently ignorant about what is Indeed, researchers may have

going on in their R&D divisions, according to John Buckley of PA Consulting. "If you doo't know what is going on in there you have no qualms about cutting it," &

These articles continue a series

A winning way with glass

Pilkington's R&D department has undergone a radical transformation, reports **Stefan Wagstyl**

ive years ago, scientists at Pilkington, the glass maker, would spend months making a new compound, mixing the ingredients in test tubes like medieval alchemists. Now it takes only a few days and a computer to devise almost any new kind of glass. Instead of making about 350 experimental compounds while developing new

more to gain than lose by

demonstrating the potential of their work to the company's

products, researchers need only 10. Technological advances in the past five years have transformed research and development," says Sir Robin Nicholson, the company's research director and a former chief scientific adviser to the

government.

cousily ar atic have been the changes in the company's management of its research and development effort. In the 1980s, executives had only a limited idea of bow the scientists were spending the company's money. In the past five years, Pilkington has developed tongh controls to try to ensure that R&D expenditure is closely tied to the company's commercial needs. Sir Robin says that the group, which invests £55m a year in R&D, would have to spend two or three times as much if it were still using the methods and organisation of

five years ago. The transformation of Pilkington's research efforts was prompted by a wide-ranging overhaul of the whole company in the early 1990s. In the 1980s a boom in glass markets had encouraged Pilkington to expand capacity and diversify. When the markets fell, the company was forced to cut costs and generate greater efficiencies.

In R&D the company had a global reputation, based on its invention of float glass manufacture, on which all modern glass plants are based. But executives recognised that research, spread mainly between the UK, Italy, Germany and the US, was often poorly co-ordinated. There was also too little connection between R&D and the company's needs in the

"It was 60 per cent blue sky research. Now blue sky

accounts for a maximum of 20 per cent of research," says Roger Leverton, chief executive, who took over in 1992 and has been responsible for much of the drive to make Pilkington more cost-effective. Sir Robin agrees. "We had programmes that took eight years to complete. The market moved on and opportunities

were lost." To ensure that commercial considerations played a bigger role in R&D decision-making, the company set up a technology manag board, chaired by Sir Robin which includes marketing and production executives as well as R&D staff. The board supervises a central research laboratory at Lathom, in four business innovation groups covering Pilkington's main businesses - float glass manufacture, huilding products, anto glass and

technical glasses. The technology board meets

'Many companies fail to create a link between research and development and production and marketing'

monthly to review programmes and allocate spending. "Many companies fail to create a link between R&D and production and marketing," says Sir Robin. They must be involved from the beginning."

Pilkington restructured R&D operations to prevent duplication. It created centres of excellence - float glass making at Lathom and nearby St Helen's, where it was invented; coating of glass on the production line in Lancasbire and in the US; off-line coating in Germany: anto glass in Germany and the US. With the help of restructuring and investment in new R&D technology, including computers for mathematical modelling, costs were cut. Overall R&D staffing was cut by almost half to about 700.

Pilkington started trying to

measure the costs and benefits of R&D to demonstrate its role to staff, customers and shareholders. While calculating costs was easy enough, assessing benefits was difficult, says Str Robin.

Sir Robin decided on a ready-reckoner approach, comparing a current year's R&D spending with that year's benefits, even though some of those benefits stem from previous years' R&D spending. He covers three kinds of benefit - cost savings, profits from new products and icensing income. In cost savings, one-off savings are included in full for a year, long-term savings are included for five years from inception: The gain from new products is gross profit from a new product for five years after its launch and a steadily declining amount for a further five years. Licensing income is the annual income from royalties from other manufacturers using

Pilkington technology. Since Sir Robin started counting in 1992-93, the returns from R&D have soared from just over £100m to more than £200m in 1995-96, while spending has barely kept pace with inflation.

The higgest gains bave come from new products, notably the development of glasses with coatings deposited during the glass-making process. The most successful are glasses which reflect beat, designed for buildings and for vehicles. Films a few microns thick are deposited by chemical vapour deposition on the bot glass. The most recent development is mirror glass made by on-line coating, which Pilkington claims is the biggest advance in mirrors since the invention of the silver-backed mirror in the

1830s. As well as raising the volume of new products, the laboratories bave also increased the speed of development. Sir Robin says the company won a deal for a new type of beat-reflecting car glass called Galaxsee mainly on its ability to develop the product in less than a year.
"We could not have done

that five years ago."

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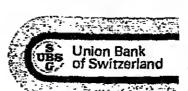
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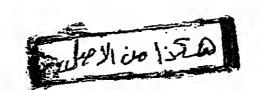
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Equality ruling for widow



in a departure from its earlier case law, the European Court of Justice ruled recently that the widow of a

migrant worker could rely on European equal treatment rules in determining her rate of contribution to the state pension scheme of the member state in which her husband had been employed.

Mrs Cahenis-Issarte, a French national, was the surviving spouse of a Frenchman who lived and worked in the Netherlands from 1948-60 and hetween 1963 and his retirement in 1969, when they returned to France.

Mr Cahanis-Issarte died in 1977 and his wife was insured under the Dutch pension scheme from 1948-69 Retween 1969 and his death in 1977, he received a married person's ension, but after his death, Mrs Cabanis-Issarte became entitled in her own right. However, the pension was reduced for the years when Mr Cabanis-Issarte was not insured under the Dutch schem

As a result, the Netherlands Social Insurance Bank proposed that Mrs Cabanis-Issarte should make voluntary contrihutions to cover the period from 1969, when she returned to France, to her 65th birthday in 1974. Under Dutch law the rate of voluntary contributions sought from her was higher than for Dutch nationals.

Mrs Cabanis-Issarte appealed to the Amsterdam Social Security Court. It found in her fevour, relying on the European equal treatment provisions on the application of social security schemes to employed persons, selfemployed persons and members of their families moving within the European Union.

appealed and the Higher Social Security Court, which was unsure of the application of European rules to her case. referred the issue to Luxembourg for a preliminary ruling.

The European Court examined in detail its earlier case law on the rights that members of a worker's family could claim under European law. Having observed that the relevant equal treatment rules did not draw a distinction between workers, members of workers' families or their surviving spouses, the court said any derogation from the fundamental rule of equal treatment must be objectively justified.

The court said it would run counter to the purpose and spirit of European rules on co-ordination of national social security laws to deprive the sponse or survivor of a migrant worker of the benefit of the application of the principle prohibiting discrimination in the calculation of old-age benefits. Had she remained in the bost state, she would have been able to claim old-age benefits on the same conditions as

nationals of that state. The court rejected the arguments of the European Commission and of the Dutch, German French Austrian and UK governments, that a distinction should he drawn hetween rights in person and derived rights. Thereby it departed from its earlier case law and held that Mrs Cabanis-Issarte's situation was covered

by relevant European rules. The Netberlands Social Insurance Bank and the governments of the intervening member-states submitted that the judgment would have serious consequences for the funding of social security schemes and that its temporal effect should therefore be limited.

No assessment, even in approximate terms, of the financial consequences of the ruling was given to the court. But nonetheless it accepted that overriding considerations of certainty precluded legal situations being called into question that had been definitively settled in accordance with previous case law.

Accordingly, the court ruled that its judgment could not be relied on in support of claims concerning benefits relating to periods prior to the date of delivery of the judgment, except by persons who had already initiated proceedings by that date.

C-308/93 Bestuur von de Sociale Verzekeringsbank v Cabanis-Issarte, ECJ FC, April

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INTERNATIONAL PEOPLE

Hafslund's new chief executive

For the last six years, Hans Tormod Hansen has advised energy companies on coping with deregulation, as a senior project manager for McKinsey's Scandinavian operations. Now he can put this into practice, as he takes over as chief executive of Hafshind, the Norwegian power producer, which has just set up on its own, following the demerger of Hafs-

lund Nycomed Hafslund is the first Norwegian energy producer listed on the Oslo bourse, although Norway's electricity market was deregulated in 1991. The company is relatively small, produc-ing 2.3 per cent of the country's energy needs. But Hansen sees it playing a key role in the rapid restructuring now under-way in the Nordic energy sector. "This market is in some respect more liberated than the energy market in England and Wales," says Hansen,

It seems one of Hansen's moves before he left McKinsey was to hring in Statoil, the hig Norwegian oil pro-ducer, and Vattenfall, the dominant Swedish power producer, as owners. Statoil last week took a 12 per cerit stake in Haishund and Vettenfall a 10

per cent share. This gives us the stability to become a vehicle in the reconstruction of the industry in Norway," Hansen declares. "Any threat to us of a takeover is now removed." In the meantime, a more pressing worry are Norway's light snowfalls winter, severely reducing river and dam levels, hitting hydro genera-tors like Haislund. Not much even a McKinsey star can do about that Hugh Carnegy

Job moves at Asian Development Bank

The Asian Development Bank has appointed Maurice Bauche, its Canadian chief information officer, to run its new office in Frankfurt, which will open later this year. Selecting Germany for its European home seems a natural move; with 4.5 per cent of the bank's ordinary capital Germany is easily the ADB's largest European

The ADB will use its European office more to cultivate relations with member governments and voluntary organisations than to monitor the international capital markets. Another function will be to promote co-financing in the private sector of development schemes for its Asian

borrowers. More at home in this area is Rip Min, currently the ADB's South Korean deputy treasurer, who has played a prominent role in the bank's borrowing programme; he becomes head of the new Tokyo office. Peter Montagnon

Crabb hopes he can pinch some business



equipment suppliers will need to be on their toes, if recent performance by lan Crabb, head of UK office equipment operations for Alco Standard, the US paper and office equipment distribu-

European office

tor, is anything to go hy. Crahb. 37, (pictured) has spent three years building the UK business to its current turnover of around \$300m. He has now been promoted to run Alco's office equipment division in Europe, under its new name of IKON Office Solutions. IKON is the smaller of Alco's two operating divisions. accounting for roughly 30 per cent of group turnover, expected to approach \$12bn this year; the other is Unisource, the largest paper and imaging products supplier in north America. Alco entered the UK office equipment market in 1993, paying £45m for Erskine House Group, of which Crabb was then managing director.

The group already has operations in Germany, France and Denmark, and soon expects to be in Italy and Spain. With IKON's global turnover forecast to rise from \$3bn in 1995 to \$10bn within the next five years, further acquisitions are planned. "I've got a feeling I'm going to be catching an awful lot of aeroplanes," Crabb says. Nim Caswell

Rooney takes over at WMX Technologies

Phillip Rooney moves to the chief executive's chair at waste service conglomerate WMX Technologies this week, in a planned succession that may have been hastened by unhappy

shareholders. Rooney, 51, is unlikely dramatically to alter restructuring plans laid two years ago by company founder and current chief executive, Dean Buntrock. Rooney has been president and chief operating officer since 1984 when the company was known as Waste Management - and a loyal sol-

business development) takes

over as chief financial officer

Atlantic, when he will become

chief financial officer of the

■ Sal Naro, senior managing

eppointed by BEAR STEARNS as head of global corporate

McLoughlin, senior managing

trading becomes head of global sovereign debt trading. Tim

director for US Government

Lea, managing director.

becomes head of European

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European sovereign debt

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director and head of US

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corporate trading, has been

new company.

until the merger with Bell

dier to Buntrock since 1969, when the firm was just a local rubbish handler. Buntrock stays on as chairman

Major shareholders will nevertheless find the transition significant; the group, which has \$10bn in annual revenues, has gone from being a 1980s high-flying Wall Street darling, into the dumps in the past five years. Lau-

Compaq plugs itself into steel man

Earl Mason has been appointed chief financial officer and senior vice president of Compaq Computer, he will report to Eckhard Pfeiffer, chief executive. Mason, who most recently was chief financial officer of Inland Steel Industries and President of Inland International, the steelmaker's international marketing, trading and distribution arm, replaces Daryl White, who retires at the end of May, after 13

Mason was also formerly group executive for worldwide manufactur-ing, manufacturing engineering and materials at Digital Equipment, and chief financial officer for Digital's European operations. Earlier, he was controller of AT&T's \$14bn information systems business. Paul Taylor

ON THE MOVE

 Yo Kurosawa is resigning from the presidency of the INDUSTRIAL BANK OF JAPAN to become its stated last week. ■ Robert Goldberg has resigned as president and chief opperating officer of MINDSCAPE. John Moore, chief executive, assumes his responsibilities. Alfred Berkeley, managing director and senior banker of the corporate finance department of Alex Brown & Sons, has been elected president of the NASDAQ STOCK MARKET. . ■ Rafael Gómez Perezagua formerly president of CIVSA. Bami and CTI, has been appointed deputy chairman of BANCO ARABE ESPANOL which specialises in financial services between the Arabic world and Spain.

■ Bo Ingmarsson, deputy chief executive and chief financial officer of Skanska, becomes a director on the board of SKANDIA, Sweden's higgest insurance group. Ian Vose has been appointed president, chief executive and chief investment officer of

INVESTORS, the international

London-based GFM

INTERNATIONAL

investing arm of Metropolitan Life Insurance Company of New York. He replaces

Stephen Bamford, who has ■ Ulf Brodd has been appointed president of the ESSELTE Asia Pacific division, succeeding Alan Wood, who was acting divisional president. Brodd was most recently head of Bensons, part of the Essette Group. ■ Gernot Nerb, formerly chief economist at the Ifo Economics Institute, has been appointed by SALOMON BROTHERS, as a vice president in its economic and market analysis group based in Frankfurt. QUANTUM MAGNETICS, the security technologies company, is opening a UK office: Bill Halkett, previously general manager for Thermedics Detection, has been appointed its head. Masavuki Munevuki. currently a senior managing director, has been appointed as president of FUJI PHOTO FILM. He replaces Minoru Ohnishi, who becomes chairman from late June.

Cathy ZoL a former

environment adviser to

President Bill Clinton, has

been appointed by the NSW

Government as director of its

new SUSTAINABLE ENERGY

DEVELOPMENT AUTHORITY.

■ Joseph Wright, president and chief executive of Swiss Bank Corporation (Canada), is appointed a director of LOBLAW, Canada's biggest food distributor.

■ The glass division of the Swedish packaging group PLM has made a number of senior appointments. In the UK operation PLM REDFEARN, managing director David Anderson takes over from Thomas Grau as bead of the glass division; Gran will concentrate on developing glass division strategy. Chris Scholey, sales and marketing director, becomes managing director of PLM Redfearn. Nick Bird, marketing manager of PLM'a glass division, becomes PLM's marketing director. Karl Pfenninger, managing director of PLM Munder (Germany), will also take responsibility for

Poland. ■ Lawrence Irving, formerly vice president (finance) of Centennial Security Holdings, a privately held electronic security services firm, has been appointed vice-president (finance) at HOLMES PROTECTION GROUP. ■ Mike Bowlin, chairman & chief executive of Arco, the Los-Angeles based energy company, joins the board of Wells fargo. Robert Hipps has resigned as senior vice president, finance and chief financial officer at Industries, becomes treasurer. ■ Alan Senter, executive vice NATIONAL SERVICE president and chief financial INDUSTRIES. officer of NYNEX is leaving in Jens Neumann, board June. Frederic Salerno, Nynex member of Volkswagen, Georg Obermeier chairman of VIAG, vice chairman (finance and

and Hoechst board member

Horst Waesche, have been appointed to the supervisory board of BHF-BANK. ■ Joe Cronin, president and chief executive of Saatchi & Saatchi advertising/Pacific, becomes vice chairman of SAATCHI & SAATCHI ADVERTISING WORLDWIDE. Gary Moss, formerly vice ident of global advertising for the Campbell Soup Company, has joined Saatchi & Saatchi Advertising as executive vice president and worldwide account director. ■ Thomas McFadden has been appointed treasurer of CONRAIL of the US. succeeding Timothy O'Toole who is promoted to senior vice president (finance). James McGeehan becomes corporate

secretary, succeeding Allan

Schimmel, who has retired.

■ Michael Mainelli has been

appointed vice president,

business development and

assistant to the chairman of

ioins from General Electric.

Christopher Homrich,

previously with Ingram

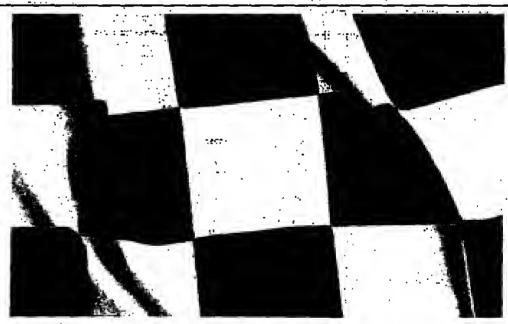
Randall Woods has been -appointed by CORVAS INTERNATIONAL, the San Diego drug company as president and chief executive. He was formerly president of US operations for Boehringer Mannheim Pharmaceuticals. STRYKER CORPORATION, He Brian Halla, formerly executive vice president of LSI Logic Corporation, has been appointed chairman, president

and chief executive of NATIONAL SEMICONDUCTOR CORPORATION. Ellen Hancock, executive vice president and chief operating officer, has resigned. ■ Viswanathan Shankar has been appointed by BANK OF AMERICA as director of strategic marketing for the Asia Wholesale Banking Group, based in Hong Kong; he was previously head of the Asia banking unit in Los Angeles.

Sterling Commerce and its parent STERLING SOFTWARE, have appointed Jeannette Meier as executive vice president and chief financial officer, replacing George Ellis, who has resigned. Meier will continue in her role as executive vice president, secretary and general counsel of both companies.

International appointments

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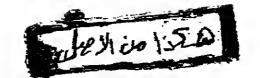


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arl André stands among the most wide-ly-known of modern artists on the strength of a single work, his Equivalent VIII of 1966, which the Tate acquired in 1972. No-one took much notice until, one slownews day early in 1976, that noted critical journal of the arts, the business section of the Sunday Times, chose to attack the purchase, and by extension the Tate and all its modern works, on its front page.

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Tale Tale

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All hell broke loose.
Along with figures full of boles and eyes where the ears should be, Carl André's neatly arranged set of bricks remain a staple of the Modern Art Joke. Even now, for the vebement anti-modernist critic, Paul Johnson, whose recent targets have ranged from Ponssin (can't paint) to Picasso (can't draw) and Cézanne (can neither paint nor draw), to call anyone "a brickie" is

Bricks – with different permutations

William Packer welcomes the opportunity to get to grips with the work of Carl André

columns at the time, not because I thought him the definitive genius of the age - which he is not - but because be was an artist working seriously within the minimalist and theoretical aesthetic. If we accept that a significant part of the Tate's duty is to monitor current activity in painting, sculpture and allied trades, and to acquire repre-sentative examples on our behalf, then it was quite right to buy the

There is nothing in the review of his work now at Oxford's Museum of Modern Art to make me change my mind. If anything, it modifies some of the reservations I had then, and with his Whitechapel ret-I was rather on the side of André rospective of 1978. Perhaps this but with more years to cover - 1960-96 - is less stolidly repetitiva, the materials more various, the variative inferences more lightly obvious. Perhaps it was the sight of a dutiful curator making minute examination of each rough-cut redcedar log that perversely cheered me up (I still find it funny that each brick should have its numbered and foam-lined box). Certainly André's own earnestness of 20 years ago seems less oppressive.

That is not to say the ideas are not there, and this show offers an excellent opportunity to come to grips with what André is about. It is not set out chronologically, which confirms the long-standing thematic set of the work, the

opmeot. Indeed several of the works are remakes of ones made long ago. The earliest here is not quite from the beginnings in André's obvious debt to Brancusi, but is one of the first of the modular structures, the remade "Convex Pyramid* (1959) - a pile of 74 ash bars, laid progressivaly criss-cross, from a cross base, all beautifully cut with half-butt joints.

But from this point even the sim-plest joint is abandoned. Whether it is to be of red-cedar logs, pristine bricks or metal tiles, all his sculpture will now rest upon the most basic structures and permutations. At its simplest, as in the "25 Cedar Scatter" (1992), 25 large cedar logs are, yes, scattered about the room. unkind might say its lack of devel- Or again, a roll of copper ribbon,

"Copper Ribbon" (1969), unwinds across the floor. "Baucis" and "Philemon" (1982) are, by contrast, models of classical integrity, two identical coblc stacks of seven logs apiece, the only difference being that the one is laid with most of its members borizontal, the other mostly vertical. It is for as to worry out the further variations, which is half the point.

So back to The Bricks, not now in isolation but in the larger work of which they were always by inference a discrete part. Now called "Sand-Lime Instar" (1966/85), it has the 120 bricks of each "Equivalent", from I to VIII, laid either end to end or side by side, two bricks high. Thus the permutations are worked through - 2x3x20; 2x4x15;

2x5x12; 2x6x10 - and the forms they generate worked out.

The largest piece is even lower to the ground, latest of the metal-tile sculptures that André has been ordering since the 1960s. "6-Metal Pugue" (1995) has 1296 tiles set out in 36 subsidiary squares of 36 tiles apiece. Along one side, the first six squares are of single metals — aluminium, steel, copper, zinc, tin and lead. One rank into the system, and each square is chequered with that to the right, and so on through the whole lot until each has been set once with each of the others in a

steady diagonal progression.

Obvious enough, but oddly satisfying too, and oddly sensuous in its attention to material and texture as we walk across it. And this is true tive though the vision might be. The mistake is only to take it pompously, whether as Great Art or the Greater Rubbish. As art sim-ply to engage the eye and tease the mind, it works very well. We should remember that minimalism and conceptualism were never the creatures of modernism, but have intrigued the aesthetical imagination for centuries. For as old Sir Thomas Browne wrote in the 1640s, "there is a musick wherever there is a harmony, order, or proportion; and thus far we may maintain 'the musick of the spheres': for those well-ordered motions, and regular paces, though they give no sound unto the ear, yet to the understand-ing they strike a note most full of harmony.

Carl André Sculptor 1996: Museum of Modern Art, 30 Pembroke Street, Oxford, until June 8. Sponsored by the Oxford University Press, and supported by the Henry Moore

'Hamlet' in mosaic

Della Couling reviews Peter Brook's latest opus

the theatre which led him early to the sta-L Lus of living legend, Pater Brook seems to have finally lost the plot. Qui est là? looks like the fag end of a series of international exercises which began brilliantly. enough in 1985 with Mahabharota, had several more peaks, such as his 1990 Tempest, hut took a downturn with

L'Homme qui.
Qui est là? is not a Gallic knock-knock joke, but allegedly a celebration of theatre in general and directors in particular, all built around the Play of Plays; Hamlet. "We hava tried to present a mosaic, in which the voice of Shakespeare and these great voices of the past resound together in the present," says Brook in the programme.

Seven actors, from Africa, Japan, Italy, Britain and France, stroll on to an acting space bare except for four chairs and some rich fabrics, politely at the end. and take turns to quote from the writings of Stanislavski, Meyerhold, Gordon Craig, Brecht, Artaud and Zeami. then gradually begin interspersing scenes from Hamlet more-or less in chronological order setting into the various roles, to a percussion accompaniment. (Mahmoud Tabriyi-Zadeh) from the side of

the stage: Wherever they are now, I am not sure the pantheon of theatrical greats would take kindly. to being posthumously press-

ears that London's two

fter a long career in ganged into service in support of this exercise, and it does not say moch for Brook's modesty. French is the language mainly used - in the case of Bruce Myers, who plays Polonius and the Gravedigger, with Pythonesque overtones. At times the African and Japanese actors use their own language. The acting is definitely not top quality, to put it mildly. Given the standard of acting, the inclusion of extended extracts, such as Ophelia's mad scene (Giovanna Mezzogiorno), seems an inexcusable demand on the audi-

> ince Laertes is excluded, the play extracts end with Gerophelia's death - given after the scene with Hamlet, Horatio and the Gravedigger.

The Berlin audience sat there respectfully, laughed in all the right places and clapped

Is this really the end for Peter Brook too? Can be inflict any more of such scrapings on a captive audience politely ng to tolerate anyth living legend can throw at it. Qui est là? is scheduled to visit the the UK. Perhans a response less polite than that given by the hushed Berlin audience might be in order.

"Nobody," for example. "Qui est là?" is currently being staged at the Schau-bülnne, Berlin



Bruce Myers: a Gravedigger with Pythonesque overtones

ENO to stay at the Coliseum

leading opera houses, Covent Garden and the Coliseum, might both be closed at the same time for re-building in the late 1990s, evaporated yesterday when the English National Opera announced that it would be staying at the Coliseum for at least five, perhaps seven,

more years. Its long term future is still undecided. The findings of a £1m feasibility study as to whether it should remain in a refurbished Coliseum or depart to a new lottery-fi-nanced London site, will be deligered to the board in two

months time, and a decision made soon after. A purpose huilt opera house seems attractive to the management but this would probably not be ready until around 2002. General director Dennis Marks was in bullish form

when announcing the 1996-97 season yesterday. He has just had his contract extended for five years, until the millennium. He reported a small surplus in 1995-96 and a rise in audiences for the third successive year, to 79 per cent of capacity.

There will seven new productions in the season starting on September 12 with a Jonathan Miller production of La traviata, and continuing with the first British production of Zimmermann's massive 1958 anti-war opera, Die Soldaten, directed by David Freeman.

conducted by Elgar Howarth. The next new production is Rossini's The Italian Girl in Algiers with Howard Davies making bis ENO debut as director and Sally Burgess in the lead role. There will also be a new production of

Glnck with Lesley Garrett; Berlioz's The Damnation of Foust, re-uniting Mark Elder as conductor and David Alden as director; the Mark Morris version of Handel's L'allegro; and for the annual uremière of a new opera. Doctor Ox's Experiment by Gavin Bryars.

The ENO's new music director Paul Daniel will oot be making his presence felt next season in the pit - he is. strangely, not conducting at the ENO - but be will open the 1997-98 season in a new production of The Fluing Dutchman starring Willard White. The ENO will make way for two dance seasons at the Coliseum, with the Kirov coming in over Christmas. The ENO's attempt to develop a popular

Christmas opera with La Belle Vivette was not a success, with the production recording the worst box office receipts of 1995-96 of 53 per cent. Top was Carmen with 97 per cent. The top seat prices in the stalls and dress circle will rise by £3, giving a weekday top price of £50. A half of all seats will be beld at 1995-96 prices or lower.

Opera/Richard Fairman

Well-judged Mozart

festival, the Royal Opera is turning to lighter fare. Back in 1987 the company invested in a handsome production of Mozart's Die Entführung aus dem Serail, which has only had one revival since and hy now was due for another.

The opera's comic charm never cloys, its music is pure delight. Wa never underestimate Le nozze di Figuro or Don Giovanni, but somehow Die Entführung always seems a minor piece and rather empty of inspiration until one is actually watching it in the theatre. Then every time it comes as a surprise to find one inventive mosical number following another, and also how skilfully Mozart switches the mood to seriousness at the end.

Elijah Moshinsky's production is typically well-jndged, neither looking for more significance than there really is nor allowing itself to become too sweet (although he might stop Osmin trying to make a joke out of tipping half the sugar bowl into his cup of coffee). Although it is not as beautiful

the stage glows under the sultry Turkish aky - both its burning mid-day sun and the cool, moon-lit nights.

Il five singing principals are new this time round. It is usual to sit rather nervously before Konstanze comes on to sing the fearsomely difficult "Ach, ich liebte", but there was no cause for worry with Eva Mei. Her technique is equal to anything Mozart puts before her, though ironically she sounds more at ease dealing with the highest notes way up above the stave than she does lower down. The voice is brilliant as a diamond, but hard too. She uses it to chisel cleanly-etched vocal lines and sparkling coloratura, but her Konstanze never quite touches the

heart. As Belmonte, Kurt Streit is that rare find - a tall teoor. He looks aristocratic and to some degree sounds it as well, as he is a sure Mozart stylist. One of the best moments of the evening is the Act 2 quartet, as he

hile it is building as the Somson et Dalila on tion with their two servants. up its eoergy for which he and the late Sidney lnger Dam Jensen's Blonde is a this year's Verdi Nolan had co-operated before, dalight, sung with wit and grace, the most touching character on the stage. Peter Bronder works too hard to establish Pedrillo as a cheeky little fellow and gives the lie to that persona by producing sturdy top A's in "Frisch zum

> Good and evil are nicely contrasted with Oliver Tobias's quietly-spoken Pasha Selim (a non-singing role) and Kurt Rydl's energetic Osmin, far from the usual lazy, good-for-nothing. In this opera Mozart's music has the capacity to put across a humanist message and Colin Davis takes advantage of that to the full, drawing heart-felt playing from the orchestra in the lovers' final duet. One small point: somebody needs to tidy up the article in the programme which promises us four arias from Belmonte and Konstanze's two great arias backto-back in Act 2, the text of the opera that people know from modern recordings. The Royal Opera's version is rather different.

and Mei hlend to near perfec- Performances until June 1.

Jazz/Garry Booth

Grande dame of hep

n the centre of the celebrated "A Great Day In Harlem" photograph of jazz luminaries, shot in 1958, a young white woman in a summer dress stands chatting to Mary Lou Williams. Beside her, against the brown-stone is Oscar Pettiford; Thelonious Monk is to her left. Count Basie is squatting on the

The 28-year-old woman is pianist Marian McPartland, then a hep 52nd Street insider and today, thanks to her longrunning show on National Public Radio, one of the US's best known names in jazz: which is not bad for a middle-class gel

As a jazz-obsessed teenager, Marian infuriated her parents by throwing in a place at the London Guildhall for a job as one quarter of a four piano vaudaville act. When war broke out she joined ENSA and later transferred to USO, the GFa equivalent where, playing for the 1st Army, she met and Antony Thorncroft Jimmy McPartland.

Ignoring the three strikes against her of being, "Eoglish, white and a woman", as critic Leonard Feather put it at the time, Marian formed a trlo which turned a two week engagement at 52nd Street's Hickory House into a teo year residency broken only by touring and guest spots on TV's Tonight show. But for 18 years the pianist's

elegantly swinging lines have been heard on 250 stations across the US, in Morion McPartland's Piano Jazz. The list of musicians with whom she has played on the show reads like a roll call of the great and good: Eubie Blake. Dizzy Gillespie, Oscar Peterson, the entire Marsalis clan. Few guests have managed to faze her: she stemmed avant-gardist Cecil Taylor's torrential flow "by sticking in some phrases of my own". An early broadcast of Marian alongside Bill Evans, made in Baldwin's piano showroom on 7th Avenue has become a col-

lectors' item All of this extraordinary

experience comes together in concert as McPartland skips delicately through a heady selection of standards, originals and curious personal favourites. At John Dankworth's Waveodon Stables, as part of a short tour which takes in the Bath Festival, the London Guildhall and the Wigmore Hall, the repertoire was characteristically eclectic. A frilly, nimble reading of Kern's "I'm Old Fashioned" gave way to Ornette Coleman's "Turnaround", treated as a stuttering blues. Another Kern tune, "All The Things You Are", started out as a two-handed lessoo in counterpoint and settled down to an exercise in stride: the McPartland original "In the Days Of Our Love" was a smokily poignant ballad to

weep for. It is probably too late to lure ber back permanently, but couldn't the BBC do a deal with National Public Radio to import the best of Piano Jazz?

Marian McPartland plays the Wigmore Hall tonight.

INTERNATIONAL

AMSTERDAM

EXHIBITION Stedelijk Museum Tet: 31-20-5732911 Munch and After or The Obstinacy of Painters: exhibition showing a selection of late work by Edvard Munch (1863-1944) in combination with work by several contemporary artists who have either expressed great admiration for him or whose work expresses influences from Munch. The display includes some 35 paintings and 20 drawings by Munch as well as 60 works by artists auch as Karel Appel, E.W. Nay, Arnulf Rainer, Joseph Beuys, Jannis Kounellis, Georg Baselitz, Gerhard Richter, Markis Lüpertz, Jakob Weidemann, Per Kitahan, Ostakan San and Per Kirkeby, Günther Förg and Dominico Bianchi; to Jun 9

BERLIN

Komische Oper Tel: 49-30-202600 Les Contes d'Hoffmann: by Offenbach, Conducted by Sebastian Weigle and performed by the

Komische Oper. Soloists include Hesse, De Loa, Korondi and Nicolescu; 7pm; May 23

■ COLOGNE CONCERT

Kölner Philharmonie Tel: 49-221-2040820 Staatskapelle Weimar: with conductor George Alexander Albrecht and planist Chia Chou perform works by R. Schumann, Liszt and Rachmaninov; 8pm; May

COPENHAGEN

CONCERT Tivoli Concert Hali Tel: 45-33 15 10 01 Tokyo Symphony Orchestra: with conductor Naoto Otomo perform works by Strauss, Nyshimura and Nielsen; 8.30pm; May 22

DRESDEN

Sächsische Staatsoper Dresden Tel: 49-351-49110 Beishazzar: by Handel Conducted by Jörg-Peter Weigla and performed by the Sächsische Staatsoper Dresden, Soloists include Claudia Kunz, Iris Vermillion, Jochen Kowalski and Günter Neumann; 7pm; May 22

DUBLIN National Concert Hall - Geolaras Náisiúnta Tel: 353-1-6711888 The Irish Chamber Orchestra: with conductor Nicholas Kremer and pianist Davide Franceschetti perform

works by Haydn, Beethoven and Elgar, 8pm; May 23

EDINBURGH **EXHIBITION**

National Gallery of Scotland Tel: 44-131-5568921 Awash in Colour: Great American Watercolours from the Museum of Fine Arts, Boston: this exhibition presents a collection of over 50 watercolours, selected from the holdings of the Museum of Fina Arts in Boston. The display includes works by Winslow Homer, Edward Hopper, Georgia O'Keeffe and John Singer Sargent, to Jul 14

GENEVA

CONCERT Victoria Hall Tel: 41-22-3283573 Nelson Goerner, the pianist performs works by Bartók, Beethoven, Brahms and Liszt; 8pm; May 22

■ GLASGOW OPERA

Theatre Royal Glasgow Tel: 44-141-3323321 La Traviata: by Verdi. Conducted by Richard Armstrong and parformed by the Scottish Opera. Soloists include Claire Rutter and Paul Charles; 7.15pm; May 25, 22

■ HOUSTON EXHIBITION

The Menil Collection Tel: 1-713-525-9400 Georges Rouzuit: exhibition of works by Georges Rouauft including 75 paintings, works on paper, and

objects drawn primarily from The Menil Collection holdings; to Aug 18

LONDON **AUCTION**

Bonhams Tel: 44-171-3933900 The Adams Collection, Part III: the third of a series of five sales featuring the Adams Collection, created by Sylvie Phyllis Adams. The collection includes 18th-century furniture, sculptures and objects d'art - bronzes, plaquettes and maiolica; 6pm; May 22 CONCERT

Wigmore Hall Tel: 44-171-9352141 Dmitri Hvorostovsky: accompanied by planist Mikhail Arkadiev. The baritone performs songs by Tchaikovsky, Mahler and Sviridov; 7.30pm; May 23 Thomas Allen: accompanied by pianist Malcolm Martineau. Tha baritone performs songs by Mozart,

Beethoven, Schubert, R. Schumann,

Brahms, Wolf and Mahler, 6pm; May

Royal Opera House - Covent Garden Tel: 44-171-2129234 Birmingham Royal Ballat: perform Balanchina's Theme and Variations to music by Tchaikovsky and Agon to music by Stravinsky, and Bintley'a Still Life at the Penguin Café to music by Jeffes. Soloists include Sabrina Lenzi, Kervin O'Hare, Monica Zamora and Joseph Cipolla;

London Coliseum Tel: 44-171-8360111 Fidelio: by Beethoven. Conducted by Richard Hickox and performed by the English National Opera. Soloists include Anthony

7.30pm; May 23

Rolfe Johnson, Kathryn Harries, Keith Latham and Philip Sheffield; 7.30pm; May 23

LYON CONCERT

Opéra de Lyon Tel: 33-72 00 45 00 Orchestre du Conservatoire National Supérieur de Musiqua de Lvon: with conductor Kent Nagano perform works by Mahler and Army; 8.30pm; May 23

■ NEW YORK EXHIBITION

The Jewish Museum Tel: 1-212-423-3200 Marc Chagall 1907-1917: this exhibition of paintings, gouaches and drawings provides an overview of Marc Chagall'a early career and the decade during which his aesthetic language and attitude were formed; to Aug 4

PARIS CONCERT

Saile Gaveau Tel: 33-1 49 53 05 07 Huseyin Sermet, Marc Desmon, Antoine Lederlin, Laurent Naouri, Renaud Capuçon and Virginne Buscail: the pianist, viola-player, cellist, baritone and violinists perform works by Alkan, Lalo, Saint-Saens, Hersant, Bacri, Sacré and Zygel; 8.30pm; May 23 EXHIBITION Musée d'Orsay Tal: 33-1 40 49 48 14

 Menzel (1815-1905), 'la névrose du vrai': retrospective exhibition devoted to the work of the German Impressionist painter Adolph Menzel. The exhibition, organised in

cooperation with the National Gallery In Washington and the Stiftung Preussischer Kulturbesitz in Berlin, comprises 47 paintings and 95 drawings; to Jul 28

■ SAN FRANCISCO EXHIBITION SFMOMA - Museum of Modern Art Tel: 1-415-357-4000

 Cut, Cast, Assemble: Contemporary Sculpture from the Permanent Collection: exhibition of 16 large-scale sculptures from the museum's collection, including works by Alexander Calder, Richard Deacon, Luciano Fabro, Barbara Heoworth, Henry Moore and Louise Nevelson; to Jun 30

VIENNA

CONCERT Musikverein Tel: 43-1-5058681 Scampa Quartet: with violinist Christian Altenburger and pianist Beethoven and Chausson; 7.30pm; May 22

■ WASHINGTON

CONCERT Concert Hall Tel: 1-202-467 4600 The Kennedy Center Opera
 House Orchestra: with conductor Kay Cameron and Jazz pianist Cy Coleman present a salute to America's Broadway composers; 7.30pm; May 22

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A shadowy spectre of error

A general election is looming, a stock adjustment is in full swing and official statistics are providing a confusing and untrustworthy guide to the state of the economy. All the necessary conditions are therefore in place to encourage the sorts of errors for which British economic policymaking has long been famous: too much too late or too little, too late.

In last week's Inflation Report, the Bank of England sought to remind Mr Kenneth Clarke, the chancellor, of the dangers of relaxing policy too far. "It was precisely at this juncture - with apparent short-term weakness in some sectors masking signs of more buoyant future activity - that policy mistakes tended to be

made in the past," it said.
But, with frustrating humility, the Bank did not accompany this warning with any firm advice on the present level of interest rates. It forecast that without a change in interest rates inflation would fall in the short term, but was "marginally more likely than not" to be back above the government's 2%-per-cent-orbelow target in two years.

The Bank concluded that "tha appropriate response depends on how the short-term downside risks evolve over the next few months". These risks are that economic growth might stall in the face of weak export demand or that companies might halt production to shift unsold goods from their

storeroom shelves. Characteristically, the Bank fears the chancellor might see these short-term dangers as a green light for a further relaxation that might later be regretted. But other economists believe the dangers lie in the opposite direction - that the chancellor is needlessly restraining demand because he lacks confidence in the impact of the structural reforms

undertaken in the 1980s. In theory things should be clearer on Thursday when the Office for National Statistics publishes fresh estimates of national output and spending. The Bank and Treasury gauge inflationary pressure in part by comparing the level of economic activity with its "potential" and growth in activity with its long-term trend.

Last month the statisticians provisionally estimated that The conditions are in place for UK policymaking mistakes, warns Robert Chote

the non-oil economy grew at a rate equivalent to 1.6 per cent a year in the first quarter, a rate weak enough on past evidence to intensify the deflationary forces in the economy. Unfortunately, if history is anything to go by, the safest conclusion to draw is that the economy grew by anything but businesses would stockpile. 16 per cent in the quarter. The statisticians have subsequently As a result, manufacturing is changed their minds about 13 of the 16 provisional quarterly growth figures they have pub-

lished since the start of 1992. These changes can be significant - as Mr Clarke well knows. In April last year the statisticians told him that the non-oil economy had expanded at an annualised rate of 3.2 per cent in the first quarter - well above the 2 per cent to 2% per cent consistent in the long run with stable inflation. The Bank told him to raise interest rates, but he refused and has subsequently been vindicated as the growth estimate has been more than halved to 1.2 per cent.

Given this record, it is unlikely that the statisticians' ent of how "the short-term downside risks evolve over tha next few months" will be one they stick with. By the time it is clear whether any slowdown is going to endure or quickly reverse, valuable time may have been lost before policymakers can confidently

Assessing past and prospective growth is made more difficult by companies' efforts to reduce stocks. The statisticians have already conceded that they overrecorded factory output when they calculated the economy's first-quarter growth last month, because they overestimated how many goods

chnically in recession, having recorded two successive quarterly falls in output. But the more aggressively companies tackle excess stocks, the sooner output will rebound. The statisticians publish their latest stockbuilding estimates on Thursday, but they freely admit that they have to be taken with a big pinch of salt. Meanwhile, the Bank of England is worried that its ability to give sensible advice on interest rates is being constrained by a lack of timely information about the service sector, which has continued to expand strongly as manufacturing has stalled. The service sector provides two-thirds of the economy's output, but the Office for National Statistics has been forced to abandon

it cannot find the money. "If we do not have accurate information on the state of the economy, we cannot hope to have effective policy management except by exceptionally

plans for a monthly index of

service sector activity because

The changing shape of growth Quarter on quarter % change in GDP, einwal - .83

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Compared with that, time is purely incidental,

Jules-Louis Audemars, Edward-Auguste Piguet, 1875.

good luck," argues Mr Richard Jeffrey, economist at Charterhouse Bank. "Even now, it may be that official data are underestimating the strength of consumer demand, thereby hilling the authorities into a false sense of security."

Consumer spending remains the key uncertainty with which the authorities have to grapple. Tax cuts and low inflation mean that even mod est average earnings growth is now translating into significant year-on-year increas real take-home pay. Even if the impact of "windfalls" from building society reorganisation and the like is slight, this could lend powerful momen-

tum to high street spending. Nervousness among Bank and Treasury officials has been heightened by above-target money supply growth. Mr Peter Warburton of Flemings Research describes their mood as "like that of a victim in an Alfred Hitchcock movie: some thing is moving in the shadows and they suspect that a big shock lies ahead".

Mr Warburton himself is not to be unnerved. He concludes from the fact that money supgrowth is being driven by wholesale deposits of companies and financial institutions - rather than bank and building society deposits held by individuals - that "there is little evidence to suggest that the consumer is about to embark on a spending spree". The looming general election

meanwhile puts temptation in tha government's path. There is little sign of the sort of splurge which preceded the last election, in which the prime minister funded everything from ground-to-air missile systems to the prese tion of the red squirrel. But public spending is still above target and promises of post election prudence are cheap.

Analysts can also only gue how the approach of polling day - and the Budget - will affect what individuals and companies choose to spend.

Setting interest rates to take ecount of what activity and inflation will be doing over the next two years always involved a complex balancing of risks. But the electoral timetable. fickle consumers, dodgy data and stock cycles at home and abroad are making the task today all the more difficult.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SEL 9FIL We are keen to encourage letters from readers around the world. Letters may be fixed to 44 1.1 873 5038 (please set for to line), e.mail: letters editor@it.com Translation may be available for letters written in the main international languages.

Wind energy not good use of taxpayers' money

From Mr Colin Humphrey. Sir, Mr Peter Heilmann (Letters, March 15) extols non-nuclear renewable energy and suggests that we put taxpayers' money to good use by investing in it. He says that wind energy is virtually non-polluting. Surely nobody who has seen the armies of 200-foot monsters on the beautiful moorlands of mid-Wales and elsewhere can truthfully say that. They also proliferate high-voltage

overhead lines in rural areas. Why should the taxpayer pay when the electricity consumer is already paying? Wind energy s costly because the wind often does not blow. The regional electricity commanies now pay the wind-farm pers 50 per cent more than they pay for electricity from the electricity pool (4.3p compared to 2.8p/kWh) and the cost is recovered through the renewables levy, which adds 10 per cent to the final price of all electricity to all consumers. Moreover, because of the unreliability of wind energy the capacity has to be duplicated in conventional

This is a strange policy for a free market government. The greed for wind-farm subsidies as brought out the worst in developers and landowners; and local authorities, whose planning consent is needed, appear scarcely competent to judge this complex issue.

power stations. So we pay

Colin Humphrey, Bwich y Garreg, Powys SY17 5NE, UK

Fed up with government behaviour that reaches beyond UK borders

From Mr Henric van Weelden. Sir, Your article "Premier's hehaviour baffles and astounds", May 17) was a delight. I believe I am speaking for many when I say that the rest of the European Union is totally fed up with the behaviour of the British government. If it continues to behave like an unruly,

irresponsible child and does not get thrown out of office. then maybe the other member states should hold a referendum on whether they want Britain inside or outside the Union.

Unfortunately, today's reality in Europe means thet the havoc created by a rudderless Tory government

reaches way beyond the borders of a very poorly served country. Or, to put it less mildly, the British government is playing with my future and the future of my continent.

Henric J. van Weelden PO Box 15597. 1001 NB Amsterdam. Netherlands

Aviation interests should be | Increase in discussed on EU-wide basis

From Mr Graham Allen MP. Sir, Sir Christopher Chataway, the retiring Civil Aviation Authority chief, is right to tread carefully on the thorny question of EU ence in aviation ("Safety first in the skies", May 13). Certain areas are more amenable to harmonisation than others. At one extreme are landing rights and slot allocation which are and will be jealously guarded by the

However, safety is ona area where progress would be in Europe'a and the UK's mutual interest. The inspection of foreign-registered aircraft cries out to be examined by the EU

as an umbrella organisation that would help protect European states from reprisals. Airworthiness, maintenance and flight-time limitation might also prove fruitful areas.

Before rushing to bolster the Joint Aviation Authority. which covers more countries than the EU and is of obscure legitimacy, Britain might discuss with its European partners what is and what is not appropriate to be dealt with in aviation on a European

Graham Allen. shadow minister for transport, Room 506, 7 Millbank, London SW1P 3JA, UK

dividend is iust fine

From Mr J.T. Reddihough. Sir, So big business is bashing the little investor again ("Sniping over the share slugs starts up again", May 13). Of course the same dividend paid on an increased number of shares represents an increase in dividend if the shares are bought at a And what is wrong with an increase in dividend, pray?

J.T. Reddihough, Villa Tamara, Ch du Vigneron 4, Switzerland

A laboured defence of the indefensible

From Mr Gary M. Gillman. Sir, Reading Craig Raine's somewhat laboured defence of T.S. Eliot against the charge of anti-Semitism ("T.S. Eliot: guilty by association?", May 18/19), I was reminded of the following statement by Charles A. Fecher in his introduction to The Diary of H.L. Mencken (1989) apropos the anti-Semitism of Mencken

Mencken rose above many even most - of the common prejudices and stereotypes of his day, and ought to have been able to rise above this one too. When all is said and done, there probably is no defence. George Orwell was one of the very few non-Jewish writers, of his time actively to raise his voice against the irrational

animus against the Jewish

people then widely held in Anglo-American society. Eliot could have applied his eloquence and prestige towards the same end, but chose not to; on the contrary.

Gary M. Gillman barrister and solicitor 181 University Avenue Toronto, Ontario M5H 3M7.

Curious argument by a standard-bearer for the Tory right

From Mr P.G. Hirsch. Sir, In challenging that benefits would flow from a single currency through lower exchange risks and costs, John Redwood states ("European Union: angel or demon?", May 16): "Moving money around the EU would still have a cost. Banks charge more for money switching currencies." That last Statement is simply wrong. Foreign exchange losses are the dominant cost whether spending £50 abroad with a

credit card (where the foreign exchange cost is £1 to £2 and the transaction fee is zero) or sending £10,000 by urgent . transfer (where the foreign exchange loss is more than £100 and the transmission cost is about £30).

Mr Redwood goes on to say: They [the banks] might try to replace some of the lost foreign higher transmission charges" suggesting that he has little confidence in market forces or competition. On this evidence

he has no faith in capitalism and a weak grasp of facts. which makes it curious that be should be the standard-bearer of the Tory right.

P.G. Hirsch. managing director. Retail Banking Research 15 Hanover Square, London W1R 9AJ, UK

From Mr C. Nigel Thompson: Sir, Like Sir Leon Brittan, I believe Britain's future lies in Europe ("European Union:

angel or demon?"). However, I can understand people's concern when, addressing the issue of whether a European superstate will evolve, be says: "But the reality is that it is not going to happen because that is not what European leaders or people want." Are not the leaders elected at

the will of the people? C. Nigel Thompson, 103 Lawrence Drive, Berkeley Heights,

New Jersey 07922. US

Lisa Bransten on the growing popularity of online trading in the US

Share deals in cyberspace

Mr William Porter still remembers the first time a private investor initiated a share deal online. On July 11, 1983 a doctor in Minnesota used his personal computer to send an order to a broking house in San Francisco using software developed by E-Trade, which Mr Porter founded in 1982 to provide online systems to bro-

kerages.
The technology was clumsy and slow, but Mr Porter - who retired as E-Trade's chief executive this year - says it got the iob done. Even so, most consumers continued to insist on telephoning brokers and made little use of online trading.

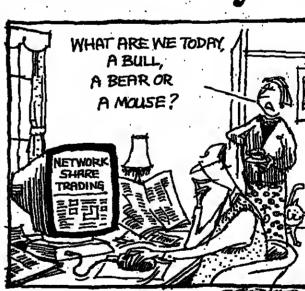
But the advance of technology and growing use of the Internet are spurring online trading in ways some observ-ers think could revolutionise the brokerage industry.

Already the major discount

brokerage houses are paying attention to the crop of smaller cyberspace brokers offering Internet share trading. Charles Schwab, the largest discount broker in the US with 3.6m cus-tomers, launched Internet trading yesterday.

Mr Steven Wallman, a member of the Securities and Exchange Commission, the government body that regulates the industry, likens the rise of internet share trading to the growth of the discount brokerage industry in the 1980s. That changed the Wall Street landscape for small investors by allowing them to make trades without paying for advice they did not want. Electronic brokerages mean that investors have access to account information 24 hours a day and often pay substan-tially lower trading fees even than those charged by the dis-

count brokerages.
The technology "allows people to create cyber-brokerages that will be able to do what the major brokerage houses do but at a lower cost because the infrastructure will be that much less," Mr Wallman says. E-Trade – which formed its



own electronic brokerage, E-Trade Securities, in 1991 - is recognised as the first purely electronic brokerage. Other pioneers in the world of online investing are TransTerra, an Omaha, Nebraska-based holding company for six discountbrokerages offering traditional and online trading, and Lom-bard Institutional Brokerage, a San Francisco group offering

primarily online trading.

These groups offer trades for as little as a flat fee of \$12, compared with \$55 for the first 100 shares through a Schwab broker. Schwab's electronic service, which allows only one phone call a month, costs \$39 a Recent growth in these busi-

nesses and the popularity of Internet-related stocks have led executives at E-Trade and Lombard to consider floating their own shares. Earlier this month, E-Trade filed papers informing the SEC that it planned to register for an ini-tial public offering of its stock by the end of next month. Mr Eric Roach, founder and chief executive of Lombard, says he is considering an offering by the year-end. "We have had numerous

(investment) banks come after us (about an offering) because we have a very compelling Internet story, and we are one of the few companies on the Internet that's actually making money," he says.

Online trading - let alone Internet trading - is still in its infancy, bowever. Forrester Research, a tachnology research and consulting group, estimates that there will be 800,000 online brokerage accounts by the end of this year, a fraction of the total given that an estimated 51m people in the US own shares.
One factor holding people back is fear of fraud. Although there have been few reports of security breaches, investors are concerned about putting data as sensitive as share-trad-

ing activity on the Internet.
But the biggest threat to these small brokerages is the competition they will face from Schwab and other big discount brokers whose names are well known, which have deep enough pockets to finance investment in technology and a proven ability to execute tens of thousands of trades a day.
"I would expect that, when

the provision of online services will be Schwab," says Mr Guy Moszowski who follows the securities industry for Sanford Barnstein, the Wall Street investment bank. "What is it that these guys bring to the table that Schwab can't already bring?" That is not to say that there

is no room for the electronic-only brokerages. Pessimists who predicted that the emergence of discount broken ges would wipe out the full service houses were wrong, but the discounters have grown to represent a 15 per cent share of commission revenues, says the Securities Industry Associa-

Mr Eric J. Johnson, Who heads a forum on electronic commerce at the Wharton business school, believes there is business out there for the small brokerages. "I don't think my mother's going to start trading over her IBM PC, but clearly there is a huge opportunity and there is a seg-ment that can ba serviced more efficiently."

The smaller firms believe that the head start they have in software development and their loyal, albeit small, customer bases will allow them to carve out a niche among investors hoping to save tima and money by working through the computer. They recognise, however that they will have to

fight for that market share. TransTerra, for example, pro-cesses about 5,000 trades a day across all of its brokerages, about 20 per cent of them over the Internet. Schwab handles about 84,000 trades a day, about 16 per cent over PCs, but until yesterday its Internet vice was only available to a few customers on an experimental basis.

"We are still at David with Schwab being the Goliath, and we're sort of kicking at their toes," says Mr Curt Conklin, product manager for online services, TransTerra. "But as long as we can keep chipping the dust settles, the leader in away that's great."



FINANCIAL TIMES

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Clinton, China and MFN

Yesterday's decision to renew China's most-favoured-nation trada privileges comes against the backdrop of a series of speeches on China by senior US officials. Mr Clinton himself set out the guiding principle: engagement with Asia, using incentives and disincentives to advanca US

Any effort to inject more coherence into China policy must be welcome after a long period of confusion and reversals of policy. But there is a long way to go before the US can boast a consistent approach. While, rightly, renewing MFN with one hand, Mr Clinton is threatening sanctions with another because of China's hilure to respect US intellectual property. Having played tough with Beijing over its missile tests in the Taiwan Strait, Washington glossed over China's sale of nnclear related magnets to Pakis-

There is an element of expediency in all these decisions. Policy still appears driven by the need to balance a broad range of US opinion from the hawks on human rights in Congress to the doves among big business. The Clinton administration has admitted the importance of the US-China relationship. It still needs to clarify tha principles which guide

President Clinton is helatedly Bipartisan support for renewal trying to get to grips with China. Suggests also that there is now broad acceptance in Washington that MFN trade privileges should not be linked to human rights. Mr Clinton's abortive attempt to do this early in his presidency was a mistake which did lasting damage to his credibility on China.

Another principle, clearly enunciated by Warren Christopher, the Secretary of State, last week, is that Washington's one-China policy is predicated on Beijing seek ing peaceful resolution to its differences with Taipei. That is an advance on the strategic ambiguity which prevailed hitherto.

The great remaining weakness is in the area of nuclear prolifera tion. By accepting a weak promise by China to behave responsibly on exports of nuclear-related equipment, Mr Clinton appears to have caved in to lobbying by US capital goods exporters whose interests would have been damaged by sanctions. China has little incentive to live up to that agreement. Mr Clinton may come to regret having let it off so

It is important that the West deal firmly and credibly with any threat China poses to global secu-rity, while seeking to engage it economically. Such a twin approach would seek to shape China's emergence on to the international stage. In each case the aim would be to persuade Beijing that One, which is now sensibly established, is that there is no point in empty threats - which withdrawal of MFN had become. it is in its own interest to play by the international rules. Only then can China play the constructive

A pinch of salt

Salt, sugar, alcohol, fats, the past 10 years by scientists working for the Ministry of Agriculture. Their theory – that BSE and you will face a barrage of conginated with cattle consuming tradictory advice. We are not much clearer today than we were 20 years ago about what to eat and drink if we want a long and healthy life, even though scien-tists have spent billions of pounds carrying out tens of thousands of studies in the meantime.

naners on sait in the British Medical Journal and the Journal of the American Medical Association this week will get a flavour of the fundamental disagreements that frequently divide the world of dietary research.

In the BMJ, eminent medical scientists urge the government and food industry to cut the population's salt intake in the face of "overwhelming evidence" that excessive consumption is causing stroke and heart attacks. In the JAMA, an equally eminent group comes to the opposite conclusion: that the evidence does not justify any general restriction on salt in the diet.

Yet people and their governments continue to have a surprising faith that science can provide a clear consensus view - the right answer" - on any health

On BSE and its human equivaient CJD, the UK government has suffered particular political damage by accepting as a consensus the theory put forward over

feed contaminated with scrapie, a well established sheep disease, and that because people never canght CJD from scraple they faced no risk from BSE - was never as well founded as ministers

It is time for politicians to tific views. That means resisting the temptation to give official health advice on every topic that

Sometimes, of course, a scientific consensus does emerge on a particular issue - for example that governments should discourage smoking. Then strong action is justified.

A fundamental difficulty comes in offering general advice to a popplation within which there is so much genetic variation. For example, a minority of people with high blood pressure would undoubtedly benefit from a reduced salt intake; the question is whether a policy of universal restriction is justified.

Progress in genetics may eventually offer a solution, by enabling doctors to offer specific guidelines to each of us about what we can or cannot do. You may be told, for example, that you can eat as much salt as you like, hot should avoid animal fats because your arteries are liable to clog up. Until then, take any general advice with a pinch of salt.

Stick and carrot

Britain's corporate reporting season has some way to run, but it is already apparent that Sir Richand Greenbury's committee on directors' remuneration has not resoved the risk of another row allout fat cats in the boardroom. The debate is simply moving from hasic pay, via the disclosure of pension costs, to so-called long-tion share-incentive schemes.

In suggesting that shares and options granted under such chemes should not vest or he exercised in less than three years, Greenbury inadvertently ensured that three years turned into the normal definition of long-term. which is clearly far too short. Equally important, the report's call for incentives to be aubject to challenging performance criteria is seing widely ignored.

A notable illustration is the new incentive scheme at Prudential Corporation. Some of the Pru's fellow insurers are unhappy that bonuses may be paid even when three-year performance, measured by total shareholder return, falls below the average for the 100 companies in the FT-SE index. Far first being unusual, this follows a near-standard formula in which directors whose companies are placed at no better than between 50 and 60 out of 100 nonetheless enjoy bonuses at the shareholders'

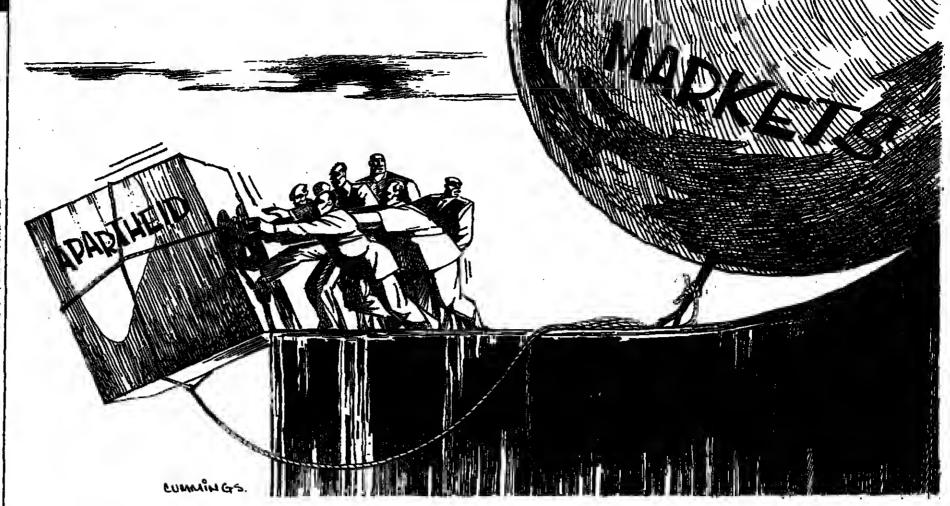
Where performance criteria are related to the company's earnings. a typical incentive scheme now requires the company to show 2 per cent real growth in earnings per share over three years. When the National Institute for Economic and Social Research expects growth in the economy to be well above this level for the rest of the decade, this guarantees that madiocrity will rarely go

unrewarded. Such lame-dnck capitalism is not what the Greenbury code was supposed to be about. Why, it might be asked, have institutional investors permitted this perversion of the incentives available to British management? An ohvious clue comes from the identity of those who are now objecting. They tend to be mutual insurers who, unlike the directors of proprietary life companies and trustees of pension funds who are also company directors, have no personal inter-

est in the gravy train. There is an urgent need to go back to the original Greenbury principle that the aim of the performance-related elements of boardroom pay should be to align the interests of directors and shareholders. Thet ought to mean an end to the all-carrot-and-nostick philosophy, and the development of more schemes involving a genuinely long-term capital commitment, for example through the commutation of pay for shares. Whether the will exists to do this is questionable, given the innate conflicts of interest involved. But in the absence of such a move, the legitimacy of the whole system is

back in question.

COMMENT & ANALYSIS



Another burden to carry

South Africa wants to redress imbalances from apartheid but is finding markets can be more powerful than politicians, says Roger Matthews

African National Congress, which won power in the April 1994 elections, will from July 1 be the government. The National Party, having withdrawn from the coalition, will be the opposition. And the many issues dividing them will for the first time be aired and argued with the vigour expected of a democracy.

For two years those divisions had been masked, if not fully disguised, by the power-sharing agreement deemed necessary to smooth the transition from white to predomi-nantly black rule. Conciliation, consensus and compromise were the

approved, hopeful that co-operation would foster the wealth creation and economic growth needed to hridge the potentially explosive gap in living standards between black and white. But in the middle of February, the currency markets lost patience. Rumours about President Nelson Mandela's health weakened the rand, and more searching questions about economic management followed when Mr Trevor Mannel was appointed the first ANC minister of finance.

The rand has since lost over 20 per cent of its value against the dollar, only recovering some stability after the National Party announced it was leaving govern-

The greater degree of political certainty is likely to provide only temporary relief for the rand before attention again focuses on the many economic questions which remain unanswered. The ANC should be in a hetter position to supply the answers now that it has virtually full control of government.

outh Africa's politicians have finally accepted that the transition from the apartheid era is over. The outline to the linkatha Freedom Party headed by Chief Mangosuthn Buthelezi – the Nationalists was to vote for the whose increasingly shrill criticism of the ANC suggests he too would be happier outside government.

The ANC has in the past two months resolved many internal tensions. Mr Thabo Mbeki, the deputy president, has consolidated his place as the probable successor to Mr Mandela in or before 1999.

The clearest confirmation of this was provided by Mr Cyril Ramaphosa, his principal rival. Mr Ramaphosa is to resign as ANC secretarygeneral, quit parliament and lead the black community's efforts to acquire a larger slice of the private sector. He is joining a company which is preparing a bid for John-

controlled by Anglo American. The National Party should also be a happier organisation although it is setting out on what Mr F.W. de Klerk, its leader, described as "a long trek to an as-yet-unknown political destination". He said the party had felt its influence within the government had been waning. "The ANC is acting more and more as if they no longer need multi-party government," he said. And he said it had become increas-ingly difficult to square the twin roles of coalition partner and responsible opposition.

The National Party's longer-term task of finding a new appeal to the electorate, perhaps through a broader coalition, will increasingly fall to Mr Roelf Meyer, the secretary-general, as more of the old guard decide their political careers are over. "First, we brought you democracy, now we hring you multi-party democracy," is the new party slogan revealed in full-page newspaper advertisements. But hlack voters are unlikely to have

new constitution and ensure its overwhelming approval by the constitutional assembly. That done, Mr de Klerk intends to spend the three years until the next general election "developing clear alternative poli-cies to those presented by the alli-ance formed by the ANC, the Com-munist Party and the Congress of South African Trade Unions".

The fragility of the rand, and Mr de Klerk's pledge to be a vigorous opposition leader, will keep the spotlight firmly on the durability of that alliance. One of the main anxieties of the private sector and foreign investors was voiced last week by Mr Tony Leon, leader of the constitution, he declared, "will give the unions the opportunity to make or break governments".

r Leon fought hard, but unsuccessfully, to ensure the new constitution gave employers the right to lock out striking workers. Business South Africa, the employers organisation, is belatedly to take up the cudgels hy appealing to the constitutional court. Mr Leslie Boyd, the group's chair-

man, says his organisation is dismayed by events and warns that the unions' "negative inflnence" is set to continue. "In major issues of economic policy, the ANC allows the unions to dominate. Certainly, that is the way foreign investors are

seeing it," he says.

The 50 largest companies have issued their own prescription for the country's economic ills, including more flexible labour markets, deep cuts in the hudget deficit, swift abolition of exchange controls and a vigorous privatisation programme. The ANC described the proposals

as absurd, and the unions responded with their own document which contradicted the employers on every important issue. The only common ground shared by government, unions and business is the goal of achieving a growth rate of at least 6 per cent by 2000 and the annual creation of 500,000 new jobs.

But that ambitious target seems less attainable today than three months ago. The devaluation of the rand should stimulate exports in the short term, but Mr Chris Stals. governor of the Reserve Bank (the central bank), fears It could add 3 per cent to annual inflation, pushing it back into double figures. This will have an impact on this year's round of pay negotiations, and is savings.

There were already signs that economic growth was slowing, and there now seems little prospect of its rising above last year's 3.3 per cent. The 1 percentage point increase in bank rate (the rate at which the Reserve Bank lends to commercial banks) three weeks ago, and the two subsequent 1 point rises in the prime lending rates of commercial banks to 20.5 per cent, have damaged husiness and consumer confidence. At the same time, last month's R2.3hn fall in gold and foreign currency reserves will not encourage Mr Manuel, finance minister, to be more courageous about removing foreign exchange controls.

Hopes among the husiness community that these pressures would force the government to distance itself from the unions appear premature. President Mandela is doggedly loyal to those who contributed to the fight against apartheid, be they President Fidel Castro of Cuba or Mr Sam Shilowa, general

South African Trade Unions (Cos-

When Mr Shilowa called out his memhers for a one-day strike against the inclusion of a lock-out clause in the constitution, Mr Mandela was understanding. On May Day, he and his ministers addressed workers' rallies wearing the colours of Cosatu. They remain united by the message Mr Mandela gave to the constitutional assembly. "Nothing else can justify the existence of government hut to redress the centuries of unspeakable privation, by striving to eliminate poverty, illiteracy, homelessness and disease."

The government has promised it will soon table a new economic biueprint for achieving those goals. Mr Manuel said in parliament it come up with a competent vision". Mr Mbeki, deputy president, spoke earlier this year of the need for trade-offs and hard decisions.

However, it is not just the document which must be convincing, but the determination with which it is implemented. The ANC, unfettered by the National Party in cabinet, has the parliamentary majority to impose its will. What It cannot legislate for is an immediate increase in the black community's minimal stake in the private sector. It has also been reminded in the past three months that South Africa is now part of the global economy where, as Mr Manuel said recently, markets can be more powerful than politicians and parliaments.

The ANC's determination to erad icate the consequences of apartheid will set the political debate for as long as it remains in office. But the new arhiters of that debate, which will dictate the policy compromises, are international investors in generai and the currency market in

OBSERVER.

The Danish Hurd instinct

■ Relieved from the constraints of high office, Douglas Hurd, the former UK foreign secretary, is giving his international audiences some added value.

Talking to the British Import Union in Copenhagen yesterday about the future of the European Union, he praised the French for their intelligence and eloquence. But he suggested that no one knew where they really stood on the issue of whether Europe should pool sovereignty or retain the nation state, "for they are the masters of the splendid

ambiguity".
As for the Germans, Hurd argued they would have to realise that "Germany is not the only country with a history" - a remark he linked to Germany's experience of hyperinflation in the 1920s and its attitude to Emu. But he reserved his sharpest

barbs for his own domestic public, which he described as ill-informed and xenophobic, forcing those who believed in some kind of European Union "to use almost all our energies defending ourselves against the misrepresentations which are now current". No names, no pack-drill - but even for a Danish public, they were hardly

And don't expect that things will improve should the Labour party

win the coming general election. He predicted that Labour's old hands - quiescent in opposition would give that "nice, young Mr Blair" a tough run for his money over Europe, should he become the next prime minister. He wishes...

Seeking contracts

■ Now Greece has patched things up with its Balkan neighbours, its thoughts are turning to the winning of contracts. Greek companies have already expre interest in reconstructing Bosnia's telephone system, huilding roads in Albania and helping Macedonia and Bulgaria solve chronic energy

But a shake-up at the foreign ministry is needed. Theodoros Pangalos, the tough-talking foreign minister, was recently annoyed to discover that few Greek diplomats read the financial pages of

Step forward Yannis Papanicolaon. Teaching Greek ambassadors new lobbying skills is to be one of the tasks allotted to Paparicolaou, the Athens-based consultant who is to head up Greece's new "economic diplomacy" office. He seems well qualified: he lectured at the London School of Economics and served as personal economic adviser to former prime minister Andreas Papandreon after the Socialists came to power in 1981. Papanicolaou was then admired

for tactful handling of foreign husinessmen - worried their companies would be nationalised hy the militant Socialists - and for his successful negotiation of a \$100m purchase of jet-fighters for the Greek air force, in parallel deals with General Dynamics and Dassault. Wheeling and dealing in the Balkans should present him

Leap-froggers

What luck that Poland's Bank Handlowy staged its recent party (to celebrate signing its first \$100m eurobond) in more than one room two long-standing rivals on the bank's board could thus mingle freely, without actually having to The rivals are Andrzej

Olechowski, currently head of the bank's supervisory hoard, and Grzegorz Wojtowicz, a former head of the National Bank of Poland, the central bank, who recently infined tha board after being exoperated hy the law courts on charges of criminal negligence when at the

Olechowski and Wojtowicz have been carear leap-frogging each other for some time. First, Wojtowicz pipped Olechowski to the post of head of the NBP in 1990 only to be forced to resign a year later, as a consequence of the charges. Olechowski left the NBP when Woitowicz became chief. But in 1992, as Woltowicz languished in the grip of lawyers, Olechowski became first finance minister, then foreign minister and a key adviser to Lech Walesa, the former

With Walesa out of office and the composition of the Handlowy's supervisory board up for review. Olechowski's days at the belm could be numbered. Hence the froideur at the party, as the pair watched their backs - and planned their next leap.

Whiskery tale ■ Malaysia's latest strategic project has been let out of the bag. After the Proton "national car"

comes – a national cat.

The south-east Asian economy, 'tiger' that it is, aims to produce an altogether more domesticated creature, though of course one which will be suitable for foreign markets too. "Malaysia should have its own cat identity. . . Maybe we can export them to cat lovers ebroad," information minister Mohamed Rahmat suggested. "The introduction of our own cat species will open a new chapter for the

He says the breed will be named this weekend at a Federation of International Felines conference to be held in the country. While no one doubts his commitment to the cause, surely it would be best left to his cabinet colleague and current telecoms and energy minister. Leo Moggie?

Financial Times

100 years ago **Great Horseless Carriage**

Advertisement:- "Vehicle revolution: a new industry. The Great Horseless Carriage Company Limited. Capital of £750,000 divided into 75,000 shares of £10 each. Half the horses now used in the large towns will disappear, and with them half the dangers of the streets, nearly all the obstruction and much of the filth. The cabs will be all autocars. Private carriages will follow suit, and thousands of people who cannot now afford to keep a carriage will do so when the necessity of feeding the horse is done away with."

50 years ago Difficulties in Europe

Current reports about economic conditions in Europe tend to be unilateral. In nine cases out of ten, the headlines speak of a desperate food position, and paint the outlook in the gloomiest colours. It would be tragic if the gravity of the food position on the Continent were minimised. There is already evidence of a sharp fall in output as a result of inadequate rations, especially in Germany. And there can be no doubt that, if the food crisis became worse between now and the next barvest, the world's progress towards reconstruction and reconversion would be gravely handicapped.



FINANCIAL TIMES

Tuesday May 21 1996



ر بو -

Clinton to renew MFN trade status for China

By Nancy Dunne in Washington

Mr Bill Clinton, US president, yesterday announced he would renew China's low-tariff trade status on the grounds that failure to do so would threaten the sta-hility of the Asia-Pacific region

and US economic interests.

Mr Clinton's speech was the second in a series on China by senior administration officials. They come as Mr Clinton pre-pares for the annual battle with Congress over renewal of China's Most Favoured Nation trade status which expires on June 2.

Mr Clinton made his announcement in a speech to the Pacific Basin Economic Council, a group of aenior husiness executives from the region meeting in Washington this week. Congress can overturn the president's decision only with a two-thirds vote in both houses, hut this appears

unlikely.
Although Mr Clinton had until June 3 to announce his position on trade status, the administration has been saying for months that China's MFN status would

Japan's trade

gap falls 65%

agencies helieve the exodus of

capacity could be even higher. Imports grew hy nearly 31 per cent last month, led hy comput-

ers, semiconductors and manu-

factured goods, drawn in hy

rohust private and corporate

demand as Japan's economic

There were also one-off factors,

including a cut in import duties

on pork and a 27 per cent rise (in

yen terms) in the price of oil.

which affect nearly 40 per cent of

the import hill. Exports, hy con-

trast, rose hy just 5 per cent, less

than half last year's average

export growth rate, and in part

explained by a fall in overseas

Japan's trade surplus with the

US fell by 56 per cent last month to Y172.09bn, the largest fall for

16 years, while its surplus with

the European Union fell by just

over half. Its surplus with other

Asian countries, normally eager

huyers of Japanese machinery to

equip their fast industrialising economies, declined by a third,

Japan: visible trade balance

the first drop in two months.

% change from a year earlier

1994

Europe today

of thunder showers. Five-day forecast

Much of north-western Europe will stay unsettled with showers or rain and temperatures generally below normal. The most active showers are expected over south-eastern England and the Benelux where hail or thunder is possible. France will have numerous showers and moderate temperatures. Spain and

Portugal will stay dry with sunny spells. Unseasonably warm air is expected over the far south-east of the continent. Greece and Turkey will be very warm with temperatures above 35C in central Turkey, Romania and Bulgarie will also also be warm but with an increased risk

An increasing westerly air flow will bring a series of disturbances into the British Isl and north-west Europe. As a result, it will continue unsettled but temperatures over

the south-west of the continent may

as high as earlier in the week.

TODAY'S TEMPERATURES

Algiers Amsle

increase as the weekend approaches High temperatures will continue in the

south-east, although readings will not be

Beijing Beijing Beijing Bermuck Bogota Bombay Brussels Budaper C.hegen Cairo

Lufthansa

Continued from Page 1

recovery gathers pace.

Mr Clinton said yesterday: "We cannot walk backward into the future . . . revoking [MFN] and, in effect, severing our economic ties to China, would drive us back into a period of mutual isolation and recrimination that would harm America's interests.

not advance them." Mr Clinton said his engagement policy with China required the use of incentives and disincentives to advance core US interests. He is prepared to levy duties on \$2hn of Chinese imports hecause of China's alleged failure to protect intellectual property.

The US would also continue to insist that China "meet the same standard of openness" required of other countries hefore it is admitted to the World Trade Organisa-

In spelling out his policy of constructive engagement, Mr Clinton was also responding to criticism hy Mr Boh Dole, the likely Republican presidential candidate. Earlier this month Mr Dole said the president lacked "a strategic policy towards China" and his foreign policy demontion and inconsistency".

Mr Clinton painted a very different picture of a policy that is "a long-term endeavour" in which the US must be "steady

and firm". He took credit for a number of successes in the region: an agree-ment with North Korea to dismantle the country's nuclear weapons programme and the huilding of unifying economic and security structures such as the Asia Pacific economic group-

In the region, the US has four fundamental priorities, the president said: continued military commitments, stronger security co-operation among Asian nations, leadership to combat the most serious threats, and support for democracy

As part of the policy initiative, Mr Warren Christopher, the secretary of state, last week called for the introduction of regular US-China summits and close consultations between cahinet mem-

tion to have a decision and we

have fewer than eight member

Criticism from vets focused on

Britain's selective slaughter pol-

lcy, which was presented yester-

day morning. A number of mem-

ber states appeared determined

to link a decision on easing the

embargo to firmer and more wid-

eranging undertakings from the UK government to eradicate BSE.

Spain joined Germany and

Austria in resisting a decision to

ease the embargo on the grounds

that Britain's plans for a selec-tive slaughter policy were insuffi-

Mrs Loyola de Palacio, the

Spanish minister for agriculture,

said Britain's culling policy was

"clearly insufficient", adding that

Spain could not support easing

the embargo until a more com-

prehensive plan was put in place.

and then killing, animals born in

the same year and from the same

herd as those which had con-

tracted the disease. It has offered

to increase the number of cattle

targeted for slaughter under the scheme from 42,000 to over 80,000

ened to overshadow discussions

on a proposal from Mr Franz Fis-

chler, EU commissioner for agriculture, under which Britain would be required to impose

tighter controls on the produc-

tion of gelatine and tallow as a

precondition to the export ban on these products being lifted.

FT WEATHER GUIDE

20

Frankourt
Geneva
Geneva
Gibrattar
Giasgow
Hamburg
Hetsinki
Hong Kong
Honolulu
Istanbui
Jakarta
Jersey
Kanachi
Kuwait
L. Angeles
Les Palmas
Luma

Lima Lisbon London Lucbourg

cloudy shower feir fair sun

25

Majorca
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Opposition to this plan threat-

Britain has proposed tracing,

states speaking against the pro-

Former communist countries consider

Former communist countries in central and eastern Europe have responded coolly to a German suggestion to offer them partial membership of the European Union, fearing that it could be a substitute for their full member-

ship of the EU and Nato. EU diplomats involved in the intergovernmental conference on reform of the Union said the idea of partial membership - admitting the ex-communist countries to EU discussions on home and foreign affairs - was very much in the air at recent sessions of the IGC

eign affairs."
The idea of partial membership would imply admitting some excommunist states to the so-called second and third pillars of the EU dealing with foreign and home affairs respectively - while waiting several more years hefore admitting them to the

ness of the EU is conducted. A Polish official said this proposal might make necessary an

The proposal was floated this month by Mr Rudolf Seiters, foreign policy spokesman for Germany's ruling Christian Democrats, in a full-page essay in the Frankfurter Allgemeine Zeitung. Mr Seiters noted that the pain of economic reform and the hur-den of preparing to join west European institutions were causcommunist states. Stressing that

ship" hy admitting them to home and foreign affairs discussions Diplomats involved with the

Diplomats from central and eastern Europe, who are coonting on firm decisions about Nato enlargement being made in early 1997, said this trade-off would be

no security guarantees, the diplo-

Clinton, China and MFN, Page 15 EU vets' efforts to agree easing of beef

Efforts hy European Union vets to agree a partial lifting of the export ban on British beef hung in the balance yesterday in the face of firmer than expected resistance from a number of memher states to easing the

The fate of a decision by the EU's standing veterinary committee to lift the embargo on three products - gelatine, tallow and semen - rested with Greece, Bel-

A decision hy any of them to join Germany, Austria and Spain in resisting moves to ease the ban would be sufficient to block the proposal in the veterinary

EU official said. 'We won't know if there is a blocking minority until the vote

The British official remained hopeful that a decision to lift the embargo would still be made even if the vets voted against the

proposal Under EU procedure, it could take up to a month before a proposal could be referred to the council of ministers, but there it could only be killed if eight coun-

The British official said the "halance of prohability" still rested with the UK. "We are making progress procedurely and in terms of substance," the official said. "There is a clear determina-

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shower sun shower shower sun hazy sun cloudy thund

fak shower thund rain sun fair

More and more experienced travellers make us their first choice.

ban hang in balance

By Caroline Southey in Brussels

embargo on some products.

gium and Portugal.

in addition, the Netherlands opposed easing the ban on semen but not gelatine and tallow, an

is taken," a UK official said.

tries opposed the move.

EU plan By Bruce Clark in London

"This idea is at the back of everybody's mind when we talk about flexibility, or a multispeed Europe," one diplomat said. "The fact is that it may take a long time hefore we can harmonise social, agricultural and industrial policies with potential new members, and we should not need to wait so long before co-operating with them over justice and for-

"first pillar" where the core busi-

extensive rewriting of the EU treaties, and this would merely delay the process of Poland's admission as a full member of the EU.

ing some discontent in the exhe was only asking a question, Mr Selters said the EU should consider whether to give candi-date members "partial member-

next year. IGC said there had been suggestions that incorporating ex-communist countries into the EU's emerging common, foreign and security policy, could be a substitute for the eastward enlarge-

ment of Nato. ompletely unacceptable.

The CFSP was a loose arrange-ment and, unlike Nato, carried More hattles planned, Page 9

THE LEX COLUMN

Banking on regulation

After the disasters of BCCI and Barings, international regulators are struggling to reinvent themselves as a better, stronger, more global force. Yesterday's joint statement from the Basle Committee on Banking Supervision and the International Organisation of Securities Commissions (Tosco) is full of good intentions, but it is likely to be another year before they

come up with a hlueprint.

Still, there has been real progress since the worst days of hickering over how much capital institutions should be set aside to cover trading risks. The recent shift towards allowing institutions to use their own computer models to calculate risk should allow more efficient use of capital - though it will take some policing. A level playing field, regulators now agree, does not necessarily mean identical capital

requirements for all. Instead, they are at last focusing on the real problems caused by globalisa-tion and the proliferation of risk - and deciding where the huck stops. Appointing a lead regulator with prime responsibility for supervising a particular institution makes good ense. Banks and securines firms no longer fit under neat domestic umhrellas designed to cover a single activity. Looking more closely at where the greatest concentration of risk lies should help close some of the gaps through which hadly managed or dodgy institutions have slipped in the past. The danger, of course, is that it will give the more politically inclined regulators even greater scope for fighting turf battles with each other.

HK conglomerates

The positive reaction to Cheung Kong's plan to hive off some China and Hong Kong infrastructure husinesses into a separately listed company demonstrates the amount of hidden value within Hong Kong's sprawling conglomerates. Given the opacity of Cheung Kong's accounts it is hard for analysts to evaluate what the group has been doing in China. By creating a separate company, Cheung Kong will clarify the extent of this investment, and probably gain favourahle revaluations. New World Develop-ment and Henderson Land, which have obtained separate listings for their China husinesses over the past year, have demonstrated the henefit

this can have on their share price. investors, however, should not get overexcited. Mr Li Ka-shing, who controls Cheung Kong, has expressed great confidence in China verhally, but has been cantious when it comes to parting with cash. Most of the

Cheung Kong Share price relative to the Hang Seng index

group's investment in China is in greenfield sites, with meaningful proftahility a long way down the track. Moreover, the group's most attractive Chinese investments, its Shanghai and Yantian ports, are likely to be retained hy its largest associate company.

Hutchison Whampoa. At least the move shows a welcome continuing commitment to creating shareholder value following Hutchison's recent flotation of Orange in the UK and plans to list Asiasat. However, there are easier ways to deliver. Hong Kong conglomerates can justify their existence, since they offer the benefits of the connections of their largest shareholders and a low cost of capital. The easiest way for them to demonstrate hidden value would be to provide more transparent accounts.

British Airways

British Airways may be flying high, but it is rightly planning for the next hit of turbulence. Times are good for the world's airlines, and BA is no exception: its aircraft are fuller than ever and fare competition is not too tough. But costs are creeping up. This partly reflects hooming traffic, hut unit costs are rising too. With revenue per passenger in long-term decline, BA needs to do better. The good news is it knows. Over the

next three years the company wants "business enhancements" - cost-cutting, better use of capacity and revenue-boosting schemes - increasing to £1bn a year. Of course, this deserves to be taken with a hefty pinch of salt. For one thing, in a competitive world, BA has to run hard just to stand still. For another, the targets are not what they seem: they imply improvements against a vague set of projections, not current performance. That the comtaken £150m of costs out of the business - when costs have in fact been

rising - is not encouraging. But even if the company's claims are overblown, complacency would be considerably worse. And with the shares trading at a discount of more than 20 per cent, based on next year's estimated earnings, the market is hardly taking an excessively rose-

Recycling capital

The hope behind share buybacks and special dividends, which are now all the rage in the UK. is that investors will plough back their windfalls into growing companies seeking to finance original projects.

The snag is that, though companies which have run out of good invest-ment ideas are handing excess capital back to shareholders, the cash is not being recycled to companies with bright ideas. Rights issues and florations are subdued; so is corporate investment. As a result, shareholders are somewhat reluctantly holding the funds as cash or ploughing it into

While the City's unadventurous approach to long-term investment is partly to hlame. UK pic is the prime culprit for not generating sufficiently attractive ideas. When even highgrowth companies like Renters are planning to hand cash back something is awry. The recycling machine works much better in the US, where large huybacks are matched hy a constant flow of funds into promising new pro-

Why are companies not grasping the opportunities? Part of the answer is cultural. But there is also a more technical problem: while the cost of capital has fallen in response to lower inflation. lower equity risk premiums and ahundant supplies of cash, few compa-nies have lowered their minimum rates of return on investment.

In stark contrast, the corporate sector is engaged in an acquisitions spree. Such deals gain board approval because the criterion for judging them is typically the impact on earnings per share rather than return on invest-ment. And since companies now mostly finance acquisitions with derather than shares, it is quite easy to boost eps. This, of course, further adds to the amount of capital sloshing around. Companies which can find a good home for it will be doing themselves and shareholders a favour.

> Additional Lex comment on Railtrack, Page 22

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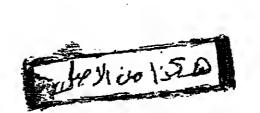
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